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THE WORKS OF

JAMES WILLIAM GILBART, F.R.S.

IN SIX VOLUMES.

VOL. II.

PRACTICAL TREATISE ON BANKING.

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A

PRACTICAL TREATISE

ON

BANKING.

BY THE LATE

JAMES WILLIAM GILBART, F.R.S.,

ONE OF THE DIRECTORS OF THE LONDON AND WESTMINSTER BANK, AND FORMERLY GENERAL MANAGER.

"The best banking system may be defeated by imperfect management; and, on the other hand, the evils of an imperfect banking system may be greatly mitigated, if not overcome, by prudence, caution, and resolution."—*Report of the Committee of the House of Lords on the Causes of Commercial Distress*, 1848.

IN TWO VOLUMES.

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A PRACTICAL

TREATISE ON BANKING.

PART II.—OF BANKING INSTITUTIONS.

SECTION I.

THE BANK OF ENGLAND.

THE Act of Parliament by which the bank was established, is entitled "An Act for granting to their Majesties several duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors, and for securing certain recompenses and advantages in the said Act mentioned, to such persons as shall voluntarily advance the sum of 1,500,000*l.* towards carrying on the war with France." After a variety of enactments relative to "the duty upon tonnage of ships and vessels, and upon beer, ale, and other liquors," the Act authorises the raising of 1,200,000*l.* by voluntary subscription, the subscribers to be formed into a corporation, and to be styled, "The Governor and Company of the Bank of England." The sum of 300,000*l.* was also to be raised by subscription, and the contributors to receive instead, annuities for one, two, or three lives. Towards the 1,200,000*l.* no one person was to subscribe more than 10,000*l.* before the first day of July next ensuing, nor at any time more than 20,000*l.* The corporation were to lend their whole capital to Government, for which they were to receive interest at the rate of 8*l.* per cent. per annum, and 4,000*l.* per annum for management; being 100,000*l.* per annum in the whole. They were not allowed to

borrow or owe more than the amount of their capital; and if they did so, the individual members became liable to the creditors, in proportion to the amount of their stock. They were not to trade in any "goods, wares, or merchandise whatsoever;" but they were allowed to deal in bills of exchange, gold or silver bullion, and to sell any goods, wares, or merchandise, upon which they had advanced money, and which had not been redeemed within three months after the time agreed upon. The whole subscription having been filled in ten days, a charter was issued on the 27th day of July, 1694. This charter has been repeatedly renewed.

The charter granted in 1708 prohibited any other bank having more than six partners, issuing notes in any part of England.

The charter of 1833 continued the privileges of the bank until the expiration of one year's notice, to be given within six months after the expiration of ten years from August 1, 1834. But if such notice should not be given, then the charter was to be continued until the expiration of twelve months' notice, to be given after the 1st day of August, 1855.

According to this charter, no other bank having more than six partners, can issue notes payable on demand in London, or within sixty-five miles thereof. Bank notes are to be a legal tender, except at the bank or branch banks. The amounts of the notes in circulation, and of the deposits, and of the bullion and securities in the bank, are to be sent weekly to the Chancellor of the Exchequer for the time being. These accounts are to be consolidated every month, and an average state of the bank accounts for the preceding three months to be published in the *London Gazette.* Any joint-stock bank that does not issue notes may carry on business in London. The following is the clause relating to this subject:—

"And whereas the intention of this Act is, that the Governor and Company of the Bank of England should, during the period stated in this Act (subject, nevertheless, to such redemption as is described in this Act), continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the 39th and 40th years of the reign of his Majesty King George III. aforesaid, as regulated by the

said recited Acts of the 7th year of his late Majesty King George IV. or any prior or subsequent Act or Acts of Parliament, but no other or further exclusive privilege of banking: And whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege, and it is expedient that all such doubts should be removed: Be it therefore declared and enacted, that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided that such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up, in England, any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England."

In the year 1844 the bank charter was again renewed until the expiration of twelve months' notice to be given after the 1st day of August, 1855. The following are the principal provisions of this important Act (7 & 8 Vict. c. 32):—

Bank to establish a separate Department for the issue of Notes.

"I. Whereas it is expedient to regulate the issue of bills or notes payable on demand: and whereas an Act was passed in the fourth year of the reign of his late Majesty King William the Fourth, intituled "An Act for giving to the Corporation of the Governor and Company of the Bank of England certain Privileges for a limited Period, under certain Conditions;' and it is expedient that the privileges of exclusive banking therein mentioned should be continued to the said Governor and Company of the Bank of England, with such alterations as are herein contained, upon certain conditions: may it therefore please your Majesty that it may be enacted; and be it enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, *that from and after the thirty-first day of August one thousand eight hundred and forty-four*, the issue of promissory notes of the Governor and Company of the Bank of England, payable on demand, shall be separated and henceforth kept wholly distinct from the general banking business of the said governor and company; and the business of and relating to such issue shall be thenceforth conducted and carried on by the said governor and company in a separate department, to be called 'The Issue Department of the Bank of England,' subject to the rules and regulations hereinafter contained; and it shall be lawful for the court of directors of the said governor and company, if they shall think fit, to appoint a committee or committees of directors

for the conduct and management of such issue department of the Bank of England, and from time to time to remove the members, and define, alter, and regulate the constitution and powers of such committee as they shall think fit, subject to any bye-laws, rules, or regulations, which may be made for that purpose: Provided, nevertheless, that *the said issue department shall always be kept separate and distinct from the banking department of the said governor and company.*

Management of the Issue by Bank of England.

"II. And be it enacted, That upon the thirty-first day of August, one thousand eight hundred and forty-four, there shall be transferred, appropriated, and set apart by the said governor and company to the issue department of the Bank of England securities to the value of *fourteen million pounds,* whereof the debt due by the public to the said governor and company shall be and be deemed a part; and there shall also at the same time be transferred, appropriated, and set apart by the said governor and company to the said issue department so much of the gold coin and gold and silver bullion then held by the Bank of England as shall not be required by the banking department thereof; and thereupon there shall be delivered out of the said issue department into the said banking department of the Bank of England such an amount of Bank of England notes as, together with the Bank of England notes then in circulation, shall be equal to the aggregate amount of the securities, coin, and bullion so transferred to the said issue department of the Bank of England; and the whole amount of the Bank of England notes then in circulation, including those delivered to the banking department of the Bank of England as aforesaid, shall be deemed to be issued on the credit of such securities, coin and bullion so appropriated and set apart to the said issue department; and from thenceforth it shall not be lawful for the said governor and company to increase the amount of securities for the time being in the said issue department, save as hereinafter is mentioned, but it shall be lawful for the said governor and company to diminish the amount of such securities, and again to increase the same to any sum not exceeding in the whole the sum of *fourteen million pounds,* and so from time to time as they shall see occasion; and from and after such transfer and appropriation to the said issue department as aforesaid it shall not be lawful for the said governor and company to issue Bank of England notes, either into the banking department of the Bank of England, or to any persons or person whatsoever, save in exchange for other Bank of England notes, or for gold coin or for gold or silver bullion received or purchased for the said issue department under the provisions of this Act, or in exchange for securities acquired and taken in the said issue department under the provisions herein contained: Provided always, that it shall be lawful for the said governor and company in their banking department to issue all such Bank of

England notes as they shall at any time receive from the said issue department or otherwise, in the same manner in all respects as such issue would be lawful to any other person or persons.

Proportion of Silver Bullion to be retained in the Issue Department.

"III. And whereas it is necessary to limit the amount of silver bullion on which it shall be lawful for the issue department of the Bank of England to issue Bank of England notes; be it therefore enacted, That it shall *not* be lawful for the Bank of England to retain in the issue department of the said bank at any one time an *amount of silver bullion exceeding one-fourth part of the gold coin and bullion* at such time held by the Bank of England in the issue department.

All Persons may demand of the Issue Department Notes for Gold Bullion.

"IV. And be it enacted, That from and after the thirty-first day of August, one thousand eight hundred and forty-four, all persons shall be entitled to demand from the issue department of the Bank of England Bank of England notes in exchange for gold bullion, at the rate of *three pounds seventeen shillings and ninepence* per ounce of standard gold: Provided always, that the said governor and company shall in all cases be entitled to require such gold bullion to be melted and assayed by persons approved by the said governor and company, at the expense of the parties tendering such gold bullion.

Power to increase Securities in the Issue Department, and issue additional Notes.

"V. Provided always, and be it enacted, That if any banker who on the sixth day of May, one thousand eight hundred and forty-four, was issuing his own bank notes, shall cease to issue his own bank notes, it shall be lawful for her Majesty in Council, at any time after the cessation of such issue, upon the application of the said governor and company, to authorise the said governor and company *to increase the amount of securities in the said issue department* beyond the total sum or value of fourteen million pounds, and thereupon to issue additional Bank of England notes to an amount not exceeding such increased amount of securities specified in such Order in Council, and so from time to time: Provided always, that such increased amount of securities specified in such Order in Council shall in no case exceed the proportion of *two-thirds the amount of bank notes which the banker so ceasing to issue* may have been authorised to issue under the provisions of this Act; and every such Order in Council shall be published in the next succeeding *London Gazette.*

Account to be rendered by the Bank of England.

"VI. And be it enacted, That an account of the amount of Bank of England notes issued by the issue department of the Bank of England,

and of gold coin, and of gold and silver bullion respectively, and of securities in the said issue department, and also an account of the capital stock, and the deposits, and of the money and securities belonging to the said governor and company in the banking department of the Bank of England, on some day in every week, to be fixed by the Commissioners of Stamps and Taxes, shall be transmitted by the said governor and company weekly to the said commissioners in the form prescribed in the schedule hereto annexed marked (A), and shall be published by the said commissioners in the next succeeding *London Gazette* in which the same may be conveniently inserted.

Bank of England exempted from Stamp Duty upon their Notes.

"VII. And be it enacted, That from and after the said thirty-first day of August, one thousand eight hundred and forty-four, the said Governor and Company of the Bank of England shall be released and discharged *from the payment of any stamp duty*, or composition in respect of stamp duty, upon or in respect of their promissory notes payable to bearer on demand; and all such notes shall thenceforth be and continue free and wholly exempt from all liability to any stamp duty whatsoever.

Bank to allow 180,000*l. per Annum.*

"VIII. And be it enacted, That from and after the said thirty-first day of August, one thousand eight hundred and forty-four, the payment or deduction of the annual sum of one hundred and twenty thousand pounds, made by the said governor and company under the provisions of the said Act, passed in the fourth year of the reign of his late Majesty King William the Fourth, out of the sums payable to them for the charges of management of the public unredeemed debt, shall cease, and in lieu thereof the said governor and company, in consideration of the privileges of exclusive banking, and the exemption from stamp duties, given to them by this Act, shall, during the continuance of such privileges and such exemption respectively but no longer, deduct and allow to the public, from the sums now payable by law to the said governor and company for the charges of management of the public unredeemed debt, the *annual sum of one hundred and eighty thousand pounds*, any thing in any Act or Acts of Parliament, or in any agreement, to the contrary notwithstanding: Provided always, that such deduction shall in no respect prejudice or affect the rights of the said governor and company to be paid for the management of the public debt at the rate and according to the terms provided in an Act passed in the forty-eighth year of the reign of his late Majesty King George the Third, intituled 'An Act to authorise the advancing for the Public Service, upon certain Conditions, a Proportion of the Balance remaining in the Bank of England, for the Payment of Unclaimed Dividends, Annuities, and Lottery Prizes, and for regulating the Allowances to be made for the Management of the National Debt.'

Bank to allow the Public the Profits of increased Circulation.

"IX. And be it enacted, That in case, under the provisions hereinbefore contained, the securities held in the said issue department of the Bank of England shall at any time be increased beyond the total amount of fourteen million pounds, then and in each and every year in which the same shall happen, and so long as such increase shall continue, the said governor and company shall, in addition to the said annual sum of one hundred and eighty thousand pounds, make a further payment or allowance to the public, equal in amount to *the net profit derived in the said issue department during the current year from such additional securities*, after deducting the amount of the expenses occasioned by the additional issue during the same period, which expenses shall include the amount of any and every composition or payment to be made by the said governor and company to any banker in consideration of the discontinuance at any time hereafter of the issue of bank notes by such banker; and such further payment or allowance to the public by the said governor and company shall, in every year while the public shall be entitled to receive the same, be deducted from the amount by law payable to the said governor and company for the charges of management of the unredeemed public debt, in the same manner as the said annual sum of one hundred and eighty thousand pounds is hereby directed to be deducted therefrom."

Bank to enjoy Privileges subject to Redemption.

"XXVII. And be it enacted, That the said Governor and Company of the Bank of England shall have and enjoy such exclusive privilege of banking as is given by this Act, upon such terms and conditions, and subject to the termination thereof at such time and in such manner as is by this Act provided and specified; and all and every the powers and authorities, franchises, privileges, and advantages, given or recognised by the said recited Act passed in the fourth year of the reign of his Majesty King William the Fourth, as belonging to or enjoyed by the said Governor and Company of the Bank of England, or by any subsequent Act or Acts of Parliament, shall be and the same are hereby declared to be in full force, and continued by this Act, except so far as the same are altered by this Act; subject nevertheless to redemption upon the terms and conditions following; (that is to say,) *at any time upon twelve months' notice to be given after the first day of August, one thousand eight hundred and fifty-five*, and upon repayment by Parliament to the said governor and company or their successors of the sum of eleven million fifteen thousand and one hundred pounds, being the debt now due from the public to the said governor and company, without any deduction, discount, or abatement whatsoever, and upon payment to the said governor and company and their successors of all arrears of

the sum of one hundred thousand pounds per annum, in the last-mentioned Act mentioned, together with the interest or annuities payable upon the said debt or in respect thereof, and also upon repayment of all the principal and interest which shall be owing unto the said governor and company and their successors upon all such tallies, exchequer orders, exchequer bills, or parliamentary funds which the said governor and company or their successors shall have remaining in their hands or be entitled to at the time of such notice to be given as last aforesaid, then and in such case, and not till then, the said exclusive privileges of banking granted by this Act shall cease and determine at the expiration of such notice of twelve months; and any vote or resolution of the House of Commons, signified under the hand of the Speaker of the said house in writing and delivered at the public office of the said governor and company, shall be deemed and adjudged to be a sufficient notice."

We have noticed the provisions of this Act in a former part of our work. We shall here only give a summary of the business operations of the bank.

The Bank of England is a bank of issue. She can issue to the extent of 14,000,000*l.* against that amount of securities set apart for that purpose. She can issue to any farther amount against lodgements of gold and silver, as regulated by the above Act. This amount of 14,000,000*l.* may be issued either at the office in London or at the branches. Were she to reduce the number of her branches she would not be required to issue less than this 14,000,000*l.*; and were she to increase her branches, she could issue no more. If other banks discontinue their circulation, she may upon application receive permission to extend her issues to two-thirds the sum thus withdrawn; but all the profit of this increase must go to the Government. She cannot issue any note for a less amount than five pounds. All the notes are payable in gold on demand. The payment of those issued in London can be demanded only at the London office. But the payment of those issued at the branches may be demanded either at the London office or at the branches where they were respectively issued. Bank of England notes are a legal tender in all cases, except when tendered by the bank herself.

The Bank of England is also a bank of deposit, of loan, and of discount. She allows no interest on any portion of her deposits, nor permits any account to be overdrawn. She

charges various rates on the bills she discounts, but does not go below the rate she announces to be her minimum. She does not act as the London agent of country banks; but is the agent of the Bank of Ireland, and the Royal Bank of Scotland. She does not accept any bills that may be drawn by those banks, or by her own branches—they are all drawn without acceptance. She does not issue any circular notes on foreign countries, nor grant letters of credit on foreign banks. She remits money to and from her branches, and from one branch to another. She issues at the London office bank-post bills, drawn at seven days' sight.

The Bank of England is also the banker of the Government. She has always a large amount of public deposits, on which she allows no interest. She receives the public revenue, and pays the dividends on the National Debt.

The profits of the bank are derived from her capital, her rest, public and private deposits, the seven-day bills, her agencies, and her circulation. From these funds she makes investments in public securities and private securities. These bring dividends and interest. She also has a profit on the 14,000,000*l.* of notes in circulation. This profit is the difference between the expense of maintaining the circulation, and the interest received on the securities set apart to meet this circulation. The bank has an annual payment from the Government for managing the National Debt. She also receives a commission from those banks to which she is the London agent. A profit is also obtained on bullion transactions. The bank buys gold at 3*l.* 17*s.* 9*d.* an ounce and sells it at 3*l.* 17*s.* 10½*d.* an ounce. Against these profits the bank has to place the expense of conducting the establishment, and the losses incurred by bad debts, forgeries, and unfortunate investments.

The Branches of the Bank of England.

The Act of 1826, which permitted the formation of joint-stock banks in England, also authorised the Bank of England to establish branches in the provincial towns. Their mode

and terms of transacting business were thus described at the time in a Welsh newspaper called the *Cambrian* :—

"The branch bank is to be a secure place of deposit for persons having occasion to make use of a bank for that purpose; such accounts are termed *drawing accounts.* And to grant facility to the mercantile and trading classes of obtaining discounts of good and unexceptionable bills, founded upon real transactions, two approved names being required upon every bill or note discounted; these are called *discount accounts.* The application of parties who desire to open discount accounts at the branch, are forwarded every Saturday to the parent establishment for approval, and an answer is generally received in about ten days. When approved, good bills may be discounted at the branch without further reference to London. Bills payable at Swansea, London, or any other place where a branch is established, are discounted under this regulation. The dividends on any of the public funds, which are payable at the Bank of England, may be received at the branch here, by parties who have opened 'drawing accounts,' after signing powers of attorney for that purpose, which the branch will procure from London. No charge is made in this case, except the expense of the power of attorney and its postage. Purchases and sales of every description of Government securities are effected by the branch at a charge of one quarter per cent., which includes brokerage in London, and all expenses of postage, &c. A charge of one quarter per cent. is also made on paying at the Bank of England bills accepted by persons having drawing accounts at Swansea, such bills to be advised by the branch; also for collecting payment of bills at the other branches, and on granting letters of credit on London, or on the other branches. The branch grants bills on London, payable at twenty-one days' date without acceptance, for sums of ten pounds and upwards. Persons having drawing accounts at Swansea, may order money to be paid at the bank in London, to their credit at this place, and *vice versâ,* without any expense. The branch may be called upon to change any notes issued and dated at Swansea, but they do not change the notes of the bank in London, nor receive them in payment, unless as a matter of courtesy where the parties are known. Bank-post bills which are accepted and due, are received at the branch from parties having drawing accounts, and taken to account without any charge for postage; but unaccepted bank-post bills, which must be sent to London, are subject to the charge of postage, and taken to account when due. No interest is allowed on deposits. No advance is made by the branch upon any description of landed or other property, nor is any account allowed to be overdrawn. The notes of Messrs. Walters' Bank at this place, of Messrs. Williams & Rowland, Neath Bank, and of the Brecon Old Bank, are received in payment at the branch. Any other country bankers may open an account for the like purpose. The notes are the

same as those issued by the parent establishment, except being dated Swansea, and made payable there and in London. No note issued exceeds the sum of 500*l.*, and none are for a less amount than 5*l.*"

The Bank of England has opened several branches, but some of them have been closed. The branch at Exeter was closed May 1, 1834; the Gloucester branch on the 28th February, 1849, and the Norwich branch May 31, 1852. The reasons assigned for withdrawing these branches do not appear very satisfactory—the Exeter branch was closed because another branch was opened on the same day at Plymouth, and the branch was said *to be removed* to Plymouth. The opening of a new branch at Plymouth seems to have no necessary connexion with the closing of that at Exeter. The Gloucester branch was closed because a railway had been opened to Bristol, and the people of Gloucester might, if so disposed, transact their business with the Bristol branch. The distance between Gloucester and Bristol is about the same as that between Manchester and Liverpool; but the directors have never announced any intention of closing their branch at Manchester, upon the ground that there is a railway to Liverpool. The true reason, we believe, to be that the business at these branches had not realised the anticipations of the directors. The active opposition of the private bank of Messrs. Sparkes & Co. (afterwards merged in the Devon and Cornwall Bank), prevented the Exeter branch obtaining much business. At one time the Gloucestershire Banking Company issued only the notes of the Gloucester branch, but afterwards they resumed the issue of their own notes, and hence, in 1843 and subsequent years, the circulation of this branch declined. The Norwich branch not only obtained but small business, but made large losses. It appears from Parliamentary Returns that so early as the year 1831, the bad debts at this branch amounted to £32,000. It may be remarked that the three branches withdrawn were located in the centre of agricultural districts, and the most prosperous branches have been located in manufacturing and commercial towns, as Manchester, Liverpool, Birmingham, and Newcastle.

The Bank of England consented to establish branches in the year 1826, at the suggestion of Lord Liverpool, in order to extend to the provinces the advantage of a *secure* circulation. This was considered the grand desideratum at that time, in consequence of the numerous failures that had recently taken place among the country bankers. This object was effected, and effected with greater facility, in consequence of the establishment of joint-stock banks, who made arrangements for issuing Bank of England notes.

These branches were not merely banks of circulation. They were banks of deposit, of discount, and of remittance. In these respects they came into competition with the country bankers. This, in some cases, reduced the charges previously made on banking transactions. As banks of discount, they charged the same rate which was charged at the London office—a charge usually below that of the country banks. As banks of remittance, they granted letters of credit at a shorter term. As banks of deposit, they charged no commission. But, on the other hand, they allowed no interest on the balance, and they allowed no account to be overdrawn; and they would not receive from their depositors any country notes unless the banks had previously opened an account with them, and made a lodgement to meet their notes.

While, therefore, the branches have obtained a large circulation, and have transacted a good business as banks of discount and of remittance, they have not made much progress as banks of deposit.

Here is another anomaly of the Act of 1844. The Bank of England is placed in a position in which it is her interest to withdraw some of her branches. At the same time, the banks of issue in the neighbourhood of those branches are not allowed to extend their issues so as to fill up the vacuum which is thus occasioned in the amount of the local circulation.

The Laws of the Currency with Reference to the Bank of England.

In March, 1841, I was, at the request of the joint-stock banks, examined as a witness before a Select Committee of the House of Commons "appointed to inquire into the effects produced on the circulation of the country by the various banking establishments issuing notes payable on demand." The charge advanced at the time against the issuing joint-stock banks, and generally against all banks of issue, was, that they did not make the amount of their circulation correspond with the amount of the circulation of the Bank of England. With reference to this accusation, I laid before the committee a variety of tables, designed to show the laws which regulated the circulation of the Bank of England, of the country banks, and of the banks of Ireland and of Scotland, respectively. The inference was designed to show that no correspondence could exist between the circulation of these several banks. These tables cannot be introduced here. But the following is a summary of my evidence on this subject, taken from an article on "The Laws of the Currency," which I published in the "Foreign and Colonial Review" of April, 1844:—

"We have before us two reports from the Committee on Banks of Issue, laid before the House of Commons in the years 1840 and 1841. The committee report the evidence, and abstain from giving any opinion upon the great questions involved in the inquiry. They, however, recommended the passing of the Act 4 & 5 Vict. c. 50, requiring a monthly registry of the circulation of the Bank of England, and of the other banks of issue, with the amount of bullion, to be published in the *Royal Gazette.* It may therefore be expected that, in a course of years, a sufficient number of facts will be recorded to enable future generations to form 'well-grounded opinions' on this important subject.

"In the mean time we will make use of the information we already possess. We will take the monthly returns of the circulation for the period that is past, that is, from September

1833 to the end of 1843, and endeavour, by observing their various revolutions, to discover if they are governed by any fixed causes or principles—to ascertain if those principles are uniform in their operation; and if we should discover that the revolutions of the currency are regulated by any uniform principles, we shall call those principles the Laws of the Currency.

"We shall begin with that portion of the currency which consists of notes issued by the Bank of England. On looking over the monthly circulation of the Bank of England, given in the Table, No. 34, in the Appendix to the Report of 1840,* we observe, that the circulation of the months in which the public dividends are paid is higher than in the subsequent months. Thus, the average circulation of January is higher than that of February or March. The circulation of April is higher than that of May or June. The circulation of July is higher than that of August or September. And the circulation of October is higher than that of November or December. This, then, we may consider as one law of the circulation of the Bank of England—that it ebbs and flows four times in the year, in consequence of the payment of the quarterly dividends. This law does not apply to any other bank, as all the Government dividends are paid by the Bank of England.

"Again, the purchase and sale of Government stock and exchequer bills by the Bank of England affect the amount of her circulation. If the bank purchase Government stock or exchequer bills, she pays for them in her own notes, and thus increases her circulation. If, on the other hand, she sell Government stock or exchequer bills, she receives payment in her own notes, and thus her circulation is diminished. Another law, then, and one peculiar to the Bank of England, is, that her circulation is affected by the purchases and sales of Government securities.

"As the payment of the public dividends puts into circula-

* This table, extended to the latest return, is published in the Banking Almanack for 1849, p. 24. It will be seen that the laws of the circulation of the Bank of England remain the same as before the passing of the Act of 1844.

tion the notes of the bank, the receipt of the public revenue will of course withdraw her notes from circulation. A large amount of the public revenue is paid at the latter part of the year, and this probably is the main cause why the amount of the Bank of England circulation is always the lowest in the month of December. Although the circulation ebbs and flows four times in the year, yet the December* point is always the lowest point throughout the year; and this is the case in every year, although the Bank of England is always open in December for short loans, the granting of which increases her circulation. This, then, is another law of the circulation.

"If the bank purchase bullion with her notes, that will of course increase her circulation; if she sell bullion, that will diminish her circulation: and, as the bank is always open for the purchase of bullion at a fixed price, and as gold may at all times be withdrawn from her in payment of her notes, her circulation is subject to considerable fluctuation from this cause. There is not, however, any uniform correspondence between the amount of her circulation† and the amount of her bullion; for when she pays the public dividends, she increases her notes, but diminishes her bullion; and when she receives the public revenue, as in December, her circulation is diminished, but the bullion is increased. These contrary fluctuations are occasioned by that portion of our currency which is under 5*l.* consisting of the precious metals; but they do not impugn the law which states that the purchase of gold increases, and the sale of gold diminishes, the amount of her circulation.

"We have thus traced those peculiar laws which regulate the monthly revolutions of the circulation of the Bank of England. We shall now proceed to its annual revolutions.

"Any of the causes of the monthly fluctuations of the cir-

* There was an exception to this law in December 1843, in consequence of the calling in of the light sovereigns.

† The word "circulation" means of course the amount of notes in the hands of the public. Since the passing of the Act of 1844 the word has been sometimes used in a more extended sense, so as to include also the notes in the banking department of the Bank of England.

culation of the Bank of England, if called into operation more in one year than in another, may become causes of annual fluctuations. But the most uniform and permanent cause of annual fluctuation appears to be made by the purchases and sales of bullion. The word 'bullion' in the bank returns, means gold and silver, whether coined or uncoined, and whether lying at the head office or at the branches. When the foreign exchanges are in favour of this country, bullion is imported and sold to the Bank of England; and when the exchanges are unfavourable, gold is exported, and the exporters obtain the gold from the Bank of England, either by purchase or by demanding payment of her notes. In most cases, however, the circulation does not fluctuate so much as the bullion. For when notes are issued against a large importation of bullion, money becomes abundant and cannot be employed, and hence it is lodged by bankers and others in the Bank of England, on deposit. But so long as the bank keeps her securities of the same amount, the increase of the bullion will always be about equal to the increase of the circulation and the deposits added together. And on the other hand, when an adverse exchange draws bullion from the bank, the deposits decrease as well as the circulation; and the decrease in both together will be equal to the amount of gold withdrawn; that is, supposing the securities to remain the same.

"By 'securities' is meant Government stock, exchequer bills, loans, discounted bills, or anything else on which the bank may have advanced money. It is a principle of management by the bank to keep the total amount of their securities equal, or nearly so; and so long as this rule is acted upon, the tendency of exportations or importations of bullion to produce the variations we have described, must be considered as one of the laws of the circulation."

One Bank of Issue.

Mr. Cotton, who was the Governor of the Bank of England when the Act of 1844 was passed, stated in the evidence

before a Committee of the House of Commons, in 1848, that the ultimate object of that Act was the establishment of one bank of issue.* I was examined on this subject before the committee on banks of issue, in the year 1841. The following is a summary of my evidence :—

1. *If we had only one bank of issue we should have sometimes too much money and sometimes too little for the wants of trade.*—"I think it is one of the inconveniences of a metallic currency, and would, in fact, be one of the inconveniences of a sole bank of issue, that at one part of the year we should have too much money, and at another part too little; because, as money would not fluctuate in amount, and the demands of trade would fluctuate, the amount of money would not be proportionate throughout the year to the demands of trade." . . . . "I have shown from Appendix 34, that even taking the whole circulation together, there is a difference varying from two to four millions, in the total amount of the circulation; and, therefore, after supposing all these transfers to have taken place, if they could have taken place at all, and that the surplus of one district was to supply the wants of another, still there would be a very great inequality in the amount of money, as compared with the demands of trade."

"It appears from Appendix 34, that the total amount of notes in England, Scotland, and Ireland, varies very considerably in different months of the year. Supposing, then, that you had one bank, and that all the notes in circulation were the notes of that one bank, which did nothing but issue notes against gold, and gold against notes, how would you employ those notes which were not wanted in the slack periods of the season?" . . . . "It is evident from Appendix 34, that during some part of the year there is not employment for the entire amount of money that is required in another season of the year; and if you had one bank of issue; as you could not contract the circulation, you would have a surplus circulation, which would have the effect of lowering the rate of interest, and promoting speculation."

* Commons, 4561.

2. *One bank of issue would reduce the means of the country bankers to afford assistance to their customers, and hence cause great distress, especially in the agricultural districts.*—"What would be the effect which you think it would produce upon country bankers?" . . . . "I think the banks, in the first place, having to pay off their notes, it would reduce their funds, from which they now give accommodation to their customers; and in order to find funds to pay off those notes, they would have to recall loans, and to reduce discounts to such a degree as to cause considerable distress throughout the country, and more especially in the agricultural districts."

3. *The bankers would be compelled to increase their charges.*—"What effects do you imagine would ensue when the measure had once been carried into effect?" . . . . "After the measure had once been carried into effect, the charges which the country bankers would be compelled to make upon that accommodation which they would still have the power of affording, must be considerably increased."

"Why?". . . . "Because they would then get no profit upon the notes; at present they can afford to advance money at a low rate of interest when issued in their own notes, because of the profit upon those notes. When I was in Ireland, I discounted bills at the same rate which was charged by the Bank of England here, and for the same reason, because I issued my own notes; but if the country bankers had to bring the money from a distance and lend it to their customers, they must get a greater interest from their customers than they could get by employing it in London or elsewhere, and hence they must make, either in the form of interest, or in the form of commission, heavier charges than they made before."

4. *One bank of issue would cause some of the smaller banking establishments to be discontinued.*—"The profit on the circulation being thus reduced, there would be a further effect by the limitation of banking establishments; for some of those establishments are so small, and established in places so remote, that they would scarcely pay the expense of conducting them, unless for the profits of the circulation; and yet the withdrawal of those establishments, though connected with no

great profit to the bank, would be attended with very considerable loss and inconvenience to the inhabitants of those places, because those banks act as receivers of the surplus capital, and hence they are useful to persons who have money to place in those banks; they act as discounters and granters of loans, and hence they are useful to the productive industry of the country; they are also useful as banks of remittance, for the purpose of making payments from those places elsewhere, and hence they are useful to traders; and those useful purposes, as far as many small banks are concerned, would be altogether annihilated, if those establishments did not issue their own notes."

"In your opinion, the suppression of their circulation would render it necessary for them to charge a higher commission upon their operations, or a higher interest upon the loans which they make?" . . . . "With regard to those small establishments, I do not think any rate of commission could pay the expense: with regard to the larger establishments, you might make up for the deficiency of profit upon the circulation by an increased charge of commission; but with regard to small establishments, in remote places, the business is not sufficient, even with the charge of commission, to pay the expense without the profits of the circulation; annihilation of the circulation would lead to annihilation of the bank."

5. *One bank of issue would lead to the substitution of bills of exchange, or some other form of credit currency.*—"Do you conceive that it would have any effect upon what you have called the amount of the circulation, which in your opinion is required at different times of the year?". . . . "I think it would have a considerable effect generally in the reduction of the circulation; because if the circulation was issued by one single bank, the local bankers in the respective districts would have no interest in increasing the amount of that circulation, and hence, in places where it could be done, the bankers would most likely have recourse to a bill circulation, and they would substitute bills for the circulation of this one bank of issue. We know that at Manchester and Liverpool,

and in other places in that district, a bill circulation a short time ago was almost the entire circulation; and it was not till the Bank of England established branches in those places, that the bill circulation became considerably reduced; and even then the bank obtained a circulation in those places only by offering their notes to country bankers at a reduced rate of interest. Now, if you had only one bank of issue, it is not to be supposed that the country bankers would obtain those notes at a reduced rate of interest, and consequently they would have no advantage in getting them into circulation; they would fall back upon their bill circulation, upon which they got a profit, and the amount of note circulation would, I think, be considerably reduced."

6. *With one bank of issue the reactions of the Foreign Exchanges would produce great and universal distress, and yet not accomplish that constant conformity between the London and country circulation which is sought to be attained.*—"Do you conceive that such a change as has been contemplated, namely, the abolition of country bank notes, would produce any effect upon the foreign exchanges?" . . . . "The effect upon the foreign exchanges would depend upon the principle upon which the single bank of issue was conducted. If conducted merely by issuing gold for notes and notes for gold, I consider that when the foreign exchanges were favourable, and brought in a large amount of gold, then there would be a large amount of notes put into circulation. I think that was the case in 1837 and 1838, although the Bank of England did not issue to such an extent as, upon the principle assumed, this one bank of issue would be compelled to do. I consider that thus this large amount of notes put into circulation against the importation of gold would reduce the rate of interest, would excite speculation, and lead to foreign investments; that a reaction would then take place, and the amount of contraction would be very considerable, so as to produce very great distress."

"Now, whether you have different banks, or whether you have only one bank, if there is a certain amount of circulation in the country, and a certain amount in London, and the

Bank of England, or the central bank, purchase a large amount of bullion in London, that immediately disturbs the proportion that existed between the London circulation and the country circulation; and, on the other hand, if there is a demand for bullion to go abroad, and bullion is sold at the central office, that will contract the circulation, and contract it much more than it could be immediately contracted in the country. If, therefore, the liability to a disproportion in amount between the country and the London circulation is a defect in the existing system, it is a defect which the establishment of only one bank of issue will not remedy."

7. *The establishment of one bank of issue would embarrass the fiscal operations of the Government.*—"I may now state, with reference to the payment of the public dividends, that the Bank of England advances loans in December, before the dividends are paid, which loans are discharged after the dividends are paid, and thus the fluctuation in the currency is very considerably diminished from what it otherwise would be. Now, if we had a bank that could not do this, if the currency were issued upon what have been called currency principles, then the Chancellor of the Exchequer must have the whole amount of the January dividends in his strong room before he could pay those dividends. Out of the circulation of England and Wales, consisting of about 28,000,000*l.*, you must collect eight millions and a half, and lock them up in the custody of the Government previously to the payment of the dividends; then you pay out in a mass these eight millions and a half, and that in a state of contracted currency; and thus you go on, four times in the year, producing the most violent and most extravagant fluctuations: whereas now, by the excellent plan adopted by the Bank of England, in issuing her notes before the payment of the dividends, by means of loans, which are discharged after the payment of the dividends, notwithstanding you pay eight millions and a half of dividends, you produce a fluctuation in the currency of only two millions and a half."

8. *The principle of one bank of issue cannot be applied to the various currencies of the United Kingdom.*—"What is the

general conclusion which you propose to draw from the tables you have put in?" . . . . "The general conclusion I would draw is, that the Bank of England is governed by certain laws which do not apply to the country circulation; that the country circulation of England is also governed by laws peculiar to itself; that the circulation of Ireland is also governed by laws peculiar to itself; that the circulation of Scotland is also governed by laws peculiar to itself; that those respective circulations are all governed by uniform laws, as is shown by their arriving at nearly the same point at the same period of the year; and, therefore, that you cannot introduce any system by which all those various circulations, governed by different laws, can be amalgamated into one system; that such a system would be at variance with itself, and would tend to destroy that beautiful system of country banking which now exists in this country—a system which has tended very much to the prosperity of this country, which, by receiving the surplus capital of different districts, and giving out the capital for the encouragement of trade, calls forth all the natural resources of the country, and puts into motion the industry of the nation, and at the same time supplies a circulation which expands and contracts in each district according as it is required by the trade or agriculture of the district. Those expansions or contractions take place at different periods of the year in different districts; the circulation expands when the wants of trade require it, and when no longer wanted it again returns; and I think this beautiful system, in the language of the resolutions passed by the deputies from the joint-stock banks, 'has greatly promoted the agriculture, trade, mining, and general industry of the nation, and that equal advantages cannot be produced by one bank of issue.'"

We shall conclude this section by copying the correspondence between the First Lord of the Treasury and the Chancellor of the Exchequer and the Bank of England, respecting the suspension of the Act of 1844.

"GENTLEMEN, *Downing-street*, 25 *October*, 1847.

"Her Majesty's Government have seen with the deepest regret the pressure which has existed for some weeks upon the commercial interests of the country, and that this pressure has been aggravated by a want of that confidence which is necessary for carrying on the ordinary dealings of trade.

"They have been in hopes that the check given to transactions of a speculative character, the transfer of capital from other countries, the influx of bullion, and a feeling which a knowledge of these circumstances might have been expected to produce, would have removed the prevailing distrust.

"They were encouraged in this expectation by the speedy cessation of a similar state of feeling in the month of April last.

"These hopes have, however, been disappointed, and Her Majesty's Government have come to the conclusion, that the time has arrived when they ought to attempt, by some extraordinary and temporary measure, to restore confidence to the mercantile and manufacturing community.

"For this purpose, they recommend to the directors of the Bank of England, in the present emergency, to enlarge the amount of their discounts and advances upon approved security; but that, in order to retain this operation within reasonable limits, a high rate of interest should be charged.

"In present circumstances, they would suggest that the rate of interest should not be less than 8 per cent.

"If this course should lead to any infringement of the existing law, Her Majesty's Government will be prepared to propose to Parliament, on its meeting, a bill of Indemnity. They will rely upon the discretion of the directors to reduce as soon as possible the amount of their notes, if any extraordinary issue should take place, within the limits prescribed by law.

"Her Majesty's Government are of opinion that any extra profit derived from this measure should be carried to the account of the public, but the precise mode of doing so must be left to future arrangement.

"Her Majesty's Government are not insensible of the evil of any departure from the law which has placed the currency of this country upon a sound basis; but they feel confident that, in the present circumstances, the measure which they have proposed may be safely adopted, and at the same time the main provisions of that law, and the vital principle of preserving the convertibility of the bank note, may be firmly maintained.

"We have the honour to be, Gentleman,

"Your obedient humble Servants,

(Signed) "J. RUSSELL.

"CHARLES WOOD.

"*The Governor and Deputy Governor of the Bank of England.*"

"GENTLEMEN, *Bank of England*, 25 *October*, 1847.

"We have the honour to acknowledge your letter of this day's date, which we have submitted to the Court of Directors, and we enclose a copy of its resolutions thereon.

"We have the honour to be, Gentlemen,
"Your most obedient Servants,
"JAMES MORRIS, *Governor*.
"H. J. PRESCOTT, *Deputy Governor*.

"*To the First Lord of the Treasury and the Chancellor of the Exchequer.*"

"At a Court of Directors, at the Bank of England, Monday, 25 Oct., 1847: *Resolved*—

"1. That this Court do accede to the recommendation contained in the letter from the First Lord of the Treasury and the Chancellor of the Exchequer, dated this day, and addressed to the Governor and Deputy Governor of the Bank of England, which has just been read.

"2. That the minimum rate of discount on bills not having more than 95 days to run be 8 per cent.

"3. That the advances be made on bills of exchange, on stock, exchequer bills and other approved securities, in sums of not less than two thousand pounds, and for a period to be fixed by the Governors, at the rate of 8 per cent. per annum."

"GENTLEMEN, *Downing-street*, 23 *November*, 1847.

"Her Majesty's Government have watched, with the deepest interest, the gradual revival of confidence in the commercial classes of the country.

"They have the satisfaction of believing that the course adopted by the Bank of England, on their recommendation, has contributed to produce this result, whilst it has led to no infringement of the law.

"It appears, from the accounts which you have transmitted to us, that the reserve of the Bank of England has been for some time steadily increasing, and now amounts to 5,000,000*l*. This increase has, in a great measure, arisen from the return of notes and coin from the country.

"The bullion exceeds 10,000,000*l*., and the state of the exchanges promises a further influx of the precious metals.

"The knowledge of these facts by the public is calculated to inspire still further confidence.

"In these circumstances, it appears to her Majesty's Government that

the purpose which they had in view in the letter which we addressed to you on the 25th October has been fully answered, and that it is unnecessary to continue that letter any longer in force.

"We have the honour to be, Gentlemen,
"Your obedient humble Servants,
(Signed) "J. Russell.
"Charles Wood.

"*The Governor and Deputy Governor of the Bank of England.*"

"Gentlemen, *Bank of England*, 23 *November*, 1847.

"We have the honour to acknowledge the receipt of your letter of this day's date, in which you communicate to us that in consequence of the gradual revival of confidence in the commercial classes of the country, it appears to Her Majesty's Government that the object they had in view in the letter they addressed to us on the 25th October has been fully answered, and that it is unnecessary to continue that letter any longer in force.

"We have the honour to be, Gentlemen,
"Your most obedient Servants,
"James Morris, *Governor.*
"H. J. Prescott, *Deputy Governor.*

"*To the First Lord of the Treasury and the Chancellor of the Exchequer.*"

SECTION II.

THE LONDON PRIVATE BANKERS.

By the last Bank Charter Act (7 & 8 Vict. c. 32, s. 21), passed in the session of 1844, it was enacted "that every banker in England and Wales, who is now carrying on, or shall hereafter carry on business as such, shall, on the first day of January in each year, or within fifteen days thereafter, make a return to the Commissioners of Stamps and Taxes at their head office in London, of his name, residence, and occupation, or in the case of a company or partnership, of the name, residence, and occupation of every person composing or being a member of such company or partnership, and also the name of the firm under which such banking company or

partnership carry on the business of banking, and of every place where such business is carried on; and if any such banker, company, or partnership, shall omit or refuse to make such return within fifteen days after the said first day of January, or shall wilfully make other than a true return of the persons as herein required, every banker, company, or partnership so offending, shall forfeit and pay the sum of 50*l.*; and the said Commissioners of Stamps and Taxes shall, on or before the first day of March in every year, publish in some newspaper circulating within each town or county respectively, a copy of the return so made by every banker, company, or partnership carrying on the business of bankers within such town, or respectively, as the case may be."

This was the first time that any of the banking companies in London were required to make returns to Government of the number or names of their partners. All banks that issued notes were required, when they applied for a licence, to name their partners; but as none of the London bankers issued notes, they required no licence, and made no return. Nor did the joint-stock banks established in London, make any returns to the Government of their partners. For as they did not possess, until the year 1844, the power of suing and being sued in the name of their public officers, they did not register, at any Government office, the names of their partners, though, in some cases, these names were appended to the Annual Reports of the directors. This Act (7 & 8 Vict. c. 32) came into operation in January, 1845, and we have now, therefore, for the first time, the means of obtaining the names of all the partners in all the banking establishments throughout England and Wales.*

The Act not only requires that the bankers shall make these returns between the first and fifteenth of January in each year, it requires also, that the Commissioners of Stamps and Taxes shall publish them before the first of March following, in some newspaper that circulates within the town or county in which the bankers making the return carry on their business. The returns from the London banks are published in supple-

* These are inserted every year in the Banking Almanack.

ments to the *London Gazette*, which we presume is considered to be a newspaper within the meaning of the Act.

The particulars required to be returned by the Act, and stated in the *Gazette*, are, the name of the firm or company; the name, residence, and occupation of the persons of whom the company or partnership consists; and the name of the place or places where the business is carried on.

The London banking establishments, each not having more than six partners, may be divided into three classes:—

I. Those who are members of the Clearing-house.
II. Those located east of Temple-bar, but are not members of the Clearing-house.
III. Those located west of Temple-bar.

The Clearing Banks are banks of deposit and of discount, and they act as agents to the country banks. The banks in Fleet-street and in Westminster do not usually discount bills for their customers, nor act as agents to country banks. Their connexions embrace chiefly the clergy, the gentry, and the nobility. Their loans to their customers are chiefly upon landed security, and they are supposed to hold a large amount of exchequer bills and other Government securities. None of the London bankers allow interest on deposits, or charge commission on town accounts. Those who act as agents to country banks charge a commission on the debit side of the account, and some of them allow interest on the daily balance. Instead of a *pro rata* commission, some country banks pay their agent by a fixed annual payment, or by keeping in his hands a certain balance without interest. None of the present London bankers have ever issued notes, though, until the year 1844, they had legally the power of doing so. Several of them issue "Circular Notes," for the use of travellers on the Continent.

The following is a summary of part of the evidence delivered before the Bank Committee of 1832, by George Carr Glyn, Esq., respecting the London bankers:—

"There are sixty-two private banks in the metropolis, none of which for the last fifty years have issued notes of their own, though it would

seem that such of them as consist of fewer than six partners might lawfully circulate their own paper if they pleased. As they act entirely with the Bank of England paper, it is doubtful whether there be any limit to the number of partners of which London private banks may consist. They receive deposits, upon which they pay no interest. The system of allowing interest on deposits was formerly tried in London; but the houses that attempted it invariably failed. The deposits held by the London bankers are generally composed of very large sums, which are necessarily payable on demand; and hence they cannot be made use of to the same extent as those which are entrusted to country bankers, and which, whenever interest is allowed, are usually left with them for a stipulated period. On the other hand, in all ordinary transactions, the London banks charge no commission to their customers.

"The London banks, in order to be able to meet their engagements, usually keep a large deposit, nearly equal, perhaps, to half of what they hold in reserve, in the Bank of England; a portion of their current funds they necessarily hold at home in bank paper, and a small amount in gold. Their deposit in the bank they consider as so many notes in their drawer, liable to be called out by the daily fluctuations in the accounts of their customers. The balances in their hands, often very large, are frequently withdrawn without notice; hence their intercourse is almost hourly with the Bank of England, from which they receive every facility.

"In order to turn their funds to profit, the London bankers employ as much money as they can amongst their customers. They invest a considerably larger proportion of their deposits in bills of exchange and promissory notes, than in public securities. The city banker is, however, under a disadvantage in this respect, which is not felt by the banker at the west end of the town. The latter may, to a certain extent, depend upon the use of the money deposited with him, as his accounts are usually those of country gentlemen, and individuals out of trade; whereas the former, whose accounts are principally those of persons actively engaged in commercial or money operations, can hardly know three days beforehand what the amount of his deposits may be at any given period. The London bankers are obliged to employ their money occasionally at a very low rate of interest. In some cases, it may have been within the last twelve months, 2½ per cent.; but the average has been from 3 to 3½, and it has fairly kept at that rate. The highest rate has been 4 for short bills, but 5 has been charged for bills of twelve or eighteen months."

The circumstances that attended the failure of Messrs. Strahan & Co. have called attention to the following section respecting bankers inserted in the Act 7 & 8 Geo. IV. c. 49.

"*Agents embezzling Money entrusted to them to be applied to any special Purpose; or embezzling any Goods or valuable Security entrusted to them for safe Custody, or for any special Purpose, guilty of a Misdemeanour.*

"And, for the Punishment of Embezzlements committed by Agents entrusted with Property, be it enacted, That if any Money, or Security for the Payment of Money, shall be entrusted to any Banker, Merchant, Broker, Attorney, or other Agent, with any Direction in Writing to apply such Money, or any Part thereof, or the Proceeds or any part of the Proceeds of such Security, for any Purpose specified in such Direction, and he shall, in violation of good Faith, and contrary to the Purpose so specified, in anywise convert to his own Use or Benefit such Money, Security, or Proceeds, or any Part thereof respectively, every such Offender shall be guilty of a Misdemeanour, and, being convicted thereof, shall be liable, at the Discretion of the Court, to be transported beyond the Seas for any Term not exceeding Fourteen Years nor less than Seven Years, or to suffer such other Punishment by Fine or Imprisonment, or by both, as the Court shall award; and if any Chattel or valuable Security, or any Power of Attorney for the Sale or Transfer of any Share or Interest in any Public Stock or Fund, whether of this Kingdom, or of *Great Britain* or of *Ireland*, or of any Foreign State, or in any Fund of any Body Corporate, Company, or Society, shall be entrusted to any Banker, Merchant, Broker, Attorney, or other Agent, for safe Custody, or for any special Purpose, without any Authority to sell, negotiate, transfer, or pledge, and he shall, in violation of good Faith and contrary to the Object or Purpose for which such Chattel, Security, or Power of Attorney shall have been entrusted to him, sell, negotiate, transfer, pledge, or in any Manner convert to his own Use for Benefit such Chattel or Security, or the Proceeds of the same, or any Part thereof, or the Share or Interest in the Stock or Fund to which such Power of Attorney shall relate, or any Part thereof, every such Offender shall be guilty of a Misdemeanour, and, being convicted thereof, shall be liable, at the Discretion of the Court, to any of the Punishments which the Court may award, as hereinbefore last mentioned."

But it was said that the parties could escape punishment if they complied with the 52nd Section of the Act.

"Provided always, and be it enacted, That nothing in this Act contained, nor any Proceeding, Conviction, or Judgment to be had or taken thereupon, against any Banker, Merchant, Broker, Factor, Attorney, or other Agent as aforesaid, shall prevent, lessen, or impeach any Remedy at Law or in Equity which any Party aggrieved by any such Offence might or would have had if this Act had not been passed; but nevertheless the Conviction of any such Offender shall not be received in Evidence in any action at Law or Suit in Equity against him; *and no Banker, Merchant, Broker, Factor, Attorney, or other Agent as aforesaid,*

shall be liable to be convicted by any Evidence whatever as an Offender against this Act, in respect of any Act done by him, if he shall at any Time previously to his being indicted for such Offence have disclosed such Act, on Oath, in consequence of any compulsory Process of any Court of Law or Equity in any Action, Suit, or Proceeding which shall have been bonâ-fide instituted by any Party aggrieved, or if he shall have disclosed the same in any Examination or Deposition before any Commissioners of Bankruptcy."

Messrs. Strahan, Paul, and Bates stopped payment the 11th June, 1855. They were made bankrupts, and on the 25th June they voluntarily declared, in the Court of Bankruptcy, that securities amounting to £113,000, lodged with them by their customers for safe custody, had been sold or otherwise parted with, and the proceeds applied to their own use. They were committed for trial, and it was presumed they intended to plead the above clause in the Act, in the hope that it would save them from punishment.*

We shall now describe the mode of conducting the clearing, or the way in which many of the London bankers make their exchanges with each other. These exchanges are made at the Clearing-house. At this house, which is situated in Lombard-street, in a part of the old Post-office, a clerk attends

* Strahan, Paul, and Bates were tried at the October 1855 session of the Central Criminal Court. They pleaded not guilty, and Sir F. Thesiger applied, on their behalf, to plead in addition 52nd sect. of 7 & 8 Geo. IV. c. 29;—they were not allowed to plead it in addition; but the point, among others, was raised by Sergeant Byles in his address to the jury for Paul. It appeared that the statement made by the prisoners in the Bankruptcy Court (coupled with the account to which it referred) merely disclosed a dealing in April, 1855, with certain Danish Bonds which had been purchased by the prisoners in substitution for certain other similar bonds deposited with them by the prosecutor, and which they had previously converted, for which conversion of the original (not the substituted) bonds they were indicted, but that the statement also referred the assignees to certain of the firm's books, in which the conversion of the original bonds appeared The presiding judge (Alderson), in summing up, ruled that the statement was an insufficient disclosure, in not relating to the original bonds, which were the subject matter of the indictment; and then continued:—"It never could have been intended that a person by voluntarily disclosing any act could evade the penalties of the misdemeanour to which such act had rendered him liable. People cannot thus be allowed to play fast and loose with the criminal law; now rendering themselves liable to be transported for fourteen years, and then, by a mere process got up for the purpose, voluntarily absolving themselves from the consequence of their acts."

Baron Martin and Justice Willes concurred.

from each banking house twice a day. First, he goes at eleven o'clock with those bills which he has upon other bankers. Each bill is receipted by the house through whom it is presented, and the cheques have the name of the house written across them. He drops the bills payable at each house in a separate drawer provided for the purpose, and he enters in his book, under separate accounts, those bills that may be dropped into his drawer. At about twelve he returns home. He goes again at three o'clock with a fresh quantity of bills and cheques, which he delivers in the several drawers as before. He then enters in his book those cheques that may have been delivered in his drawer. From three to four he receives further supplies of cheques brought to him from home by other clerks. These cheques he enters in his book,* and they are then delivered in the proper drawers. As soon as the clock strikes four, no further cheques are taken. He then casts up each account, and strikes the balance. These balances are then transferred to the balance-sheet. The balance-sheet is a half sheet of paper, with a list of clearing bankers printed alphabetically in a row down the middle. On the left-hand side is a space for the debtors. On the right-hand side is a space for the creditors. The clerk begins with the house at the top of the list. If this house owes him money, he places the balance on the left side of the name. If he owes money to this house, he places the amount on the right side. Thus he proceeds through the whole list. He then goes to the clerk of each house, and calls the balance to him; and if they both agree, they mark it with a pen. If they differ, they examine where the error lies, and make the accounts agree. He then casts up each side of the balance-sheet, and strikes the balance. If the total amount of debits exceeds the total amount of credits, he will have to receive the amount of the difference. If the credits exceed the debits, he will have to pay the difference.

If a banker does not choose to pay a bill or draft brought home from the Clearing-house, it is sent back, and dropped in

* It is now the general practice for all the *clearing out* to be entered at home, and the book is brought down ready cast to the clearer at 4 o'clock.

the drawer of the house by whose clerk it was presented. On the bill or draft is stated the reason for its non-payment: this is usually, "no effects," or "no advice;" sometimes, "not sufficient effects," or "refer to the accepter." If this draft was delivered, in the first instance, in the morning clearing (that at twelve o'clock), it is usually returned before four o'clock; but, in all cases, it must be returned before five o'clock, or else it will not be taken back, and the banker is considered to have paid it. If returned after four o'clock, it is debited and credited on the back of the balance-sheet.

All this is usually done by five o'clock, when the clerks go home for a short time, for two purposes: one purpose is, to fetch the money they have to pay; and the other is, to see if their balance on the sheet agrees with the balance of the books at home. At about a quarter or half-past five they return, and any clerk who has money to pay, pays it to any clerk who has money to receive. It is common, however, for three or four clerks to form a sort of club, and pay principally among themselves. Hence when one member of the club has money to pay, he will pay it to some member of the same club who has money to receive, in preference to paying it to any one else; by this means his friend obtains his money earlier than he otherwise might, and gets off sooner. It is obvious that all the money that is to be paid must be equal to all the money that is to be received. If this should not appear to be the case, there must be some error; and the Clearing-house is then said to be wrong. Two inspectors are appointed, with salaries, to detect errors of this kind by examining and marking off the sheets. Their signature is also necessary before any money can be paid from one clerk to another.

No gold, silver, or copper is taken to the Clearing-house; the differences under 5*l.* that may be left between the clerks who receive and pay with each other are carried to account on the following day.

We have here described the mode of settling the balances as it formerly existed, but in June 1854, when the Joint-stock Banks were admitted into the Clearing-house, the mode

of settling the Daily Balances was changed. At present every Clearing-Bank has an account with the Bank of England, and pays or receives its balance, as the case may be, by a transfer to the credit or debit of its account. We have given the form of this transfer at p. 351.

All the articles in the clearing are entered at home in a book called the Clearing-Book. On the left hand are entered the bills and drafts upon other bankers. These are called the "clearing-out." On the right hand are entered the drafts which are drawn upon the house, and which have *come in* from the clearing. These are called the "clearing-in." If the "clearing-out" is a greater sum than the "clearing-in," the clerks say, "the clearing brings in;" that is, the clearing clerk will bring in money from the Clearing-house. In the other case, they say, "the clearing takes out;" that is, he will take out money from the Banking-house to pay away at the Clearing-house. The balance of this book should agree with the clearer's balance-sheet, except the differences of the preceding night, which he may have settled. When this is the case, the clearer is right; if not, he is wrong, and he must discover the error. The clearer may be wrong through errors made either in his own book at the Clearing-house, or in the Clearing-Book at home. The error at home may be either in the "clearing-in" or in the "clearing-out." If the error be in the clearing-out, it will make the Banking-house wrong; if in the clearing-in, it will not. Suppose, for instance, the clearing-out is wrong cast 1,000*l.* too much, the house will be 1,000*l.* over, and the clearer will be 1,000*l.* short. But if the clearing-in be wrong cast 1,000*l.* too much, it will not affect the balance of the house, because the Cash-Book will, consequently, be 1,000*l.* less; and these two amounts, those of the Cash-Book and the Paid-Day-Book (into which the amount of the Clearing-In-Book is entered), are placed on the same side of the trial paper. But this error will make the clearer wrong. The way in which the clearer discovers his errors is, by marking off his book against the Clearing-Book, and by recasting both the books. An error may have occurred at the Clearing-house. If the

clearer has placed a wrong balance on his sheet, or has wrong cast his balance-sheet, the Clearing-house will be wrong, and the inspectors will make it their business to discover the error. But if the clearer has entered an article wrong in his book, and the clerk of the house upon whom the draft is drawn has entered it wrong also, then the Clearing-house will be right, and both these clearers will be wrong; one being as much over as the other is short.

All the articles in the clearing-out must mark against either the Journals, the Received-Waste-Books, or the Lists. To secure greater accuracy, the clearing-in is entered not only in the regular Clearing-Book, but also in another book by itself, which for distinction is called the Clearing-In-Book. The amount of the clearing-in is entered in the Paid-Day-Book previous to the daily balance. On the following morning, the Clearing-In-Book is marked against the debit side of the Ledger, and the Ledger-Folio placed against each entry.

Country notes are not paid at the Clearing-house, but are taken round to the banking-houses, and exchanged for tickets called memorandums, which are passed through the after-noon clearing. The following is the form of these memorandums:—

London, 1*st May*, 18 .

Due to Messrs. Steady & Co.

One Thousand Pounds

for Country Notes, to be paid in the clearing of this day.

For Messrs. Hope, Rich, & Co.

A Clerk.

£1,000.

Drafts that are paid into the Banking-house after four o'clock are taken to the houses upon whom they are drawn "to be marked;" that is, it is asked if these drafts will be paid in the clearing of the next day. If so, one of the clerks *marks* the cheque by placing his initials upon it. If the cheque is refused to be marked, it is returned as dishonoured,

on the following day, to the person who has paid it in. Had it not been sent to be marked, the draft would not have been refused payment until the next day, and it could not be returned to the customer till the day afterwards.

The operations on the Stock Exchange cause a great number of cheques to be drawn on bankers, and thus increase the operations at the Clearing-house.

A person who wants to buy 100*l.* consols, gives his order to a broker, and pays him possibly by a cheque on his banker, which the broker takes and pays to his own banker. He then buys the 100*l.* consols from a jobber, and pays him by a cheque. The jobber possibly replaces this stock by buying a 100*l.* consols from another broker who is ordered by his principal to sell that amount of stock. The jobber gives the broker his cheque upon his banker, and the broker probably will give his principal the produce of the stock by a cheque. No money has passed between the parties, and the result of the whole is, that the buyer of the stock has 90*l.* less in the hands of his banker, and the seller has 90*l.* more. Four cheques have been drawn, and these have caused transactions with five different bankers. The total number of credit and debit operations in all the banks is eight.

1. The banker of the buyer of the stock pays his cheque through the clearing, and debits his customer.

2. The banker of the broker who buys the stock credits him with the purchaser's cheque, and debits him for the cheque he gives to the jobber.

3. The banker of the jobber credits him for the cheque he has received from the buying broker, and debits him for the cheque he gives to the selling broker.

4. The banker of the broker who sells the stock credits him for the jobber's cheque, and debits him for the cheque he gives to his customer who is the seller.

5. The banker of the seller credits him for the cheque of the broker who has sold the stock, and will debit him for any cheques he may draw against it.

Should neither the buyer nor the seller of the stock keep a banker, then only three cheques would be drawn.

Besides these daily transactions arising out of real business, the brokers have large transactions in what are called "time bargains." This is what is usually meant by "gambling in the funds." The parties buy or sell consols against the next settling day. No real purchase or sale is ever intended. When the settling day arrives, the losing party has to pay the difference that has arisen from the fluctuations in the price. A settlement takes place among the brokers in a way somewhat resembling the settling between the bankers at the Clearing-house. All the differences are paid by cheques. A broker may give twenty, thirty, or forty cheques to as many different brokers, and he may receive an equal number from other brokers. All these cheques are paid by the respective bankers through the Clearing-house. Besides settling days for consols, there are also settling days for foreign funds, and for shares in railway companies. The differences in these cases are also settled by cheques upon the clearing bankers.

Several of the bankers at the West-end of London keep an account with a City bank. They do not, however, in all cases pass the whole of their transactions through the Clearing-house. They pay and receive with the Clearing bankers individually, and sometimes leave their unpaid bills with their City agent. They occasionally pay into the City bank the cheques they may have on the Clearing bankers, and on the other bankers too.

The stock-brokers usually write across every cheque they draw, the name of the banker of the party in whose favour it is drawn; and if they do not know the name of the banker, they write "_____ & Co." The banker on whom it is drawn will then pay it only in the clearing.

If a broker intends a cheque to be paid in bank notes across the counter, he writes on it the word "cash;" such cheques are given only to persons who do not keep bankers.

Many persons now cross the cheques they draw with the name of a banker, to guard against fraud in case the cheques should be lost or stolen. The cheque can then only be paid to the banker whose name is on the cheque. If it be crossed

with the names of two bankers it will be refused payment to either, unless the matter be satisfactorily explained.

Clearing bankers never make payments to each other, except through the clearing.

The effects of the Clearing-house are thus described by Mr. McCulloch, in his *Commercial Dictionary* :—

"By far the largest proportion both of the inland bills in circulation in the country, and also of the foreign bills drawn upon Great Britain, are made payable in London, the grand focus to which all the pecuniary transactions of the empire are ultimately brought to be adjusted. And in order still further to economise the use of money, the principal bankers of the metropolis are in the habit of sending a clerk each day to the Clearing-house in Lombard-street, who carries with him the various bills in the possession of his house, that are drawn upon other bankers; and, having exchanged them for the bills in the possession of those others that are drawn upon his constituents, the balance on the one side or the other is paid in cash or Bank of England notes. By this contrivance the bankers of London are enabled to settle transactions to the extent of several millions a day, by the employment of not more, at an average, than 200,000*l.* to 300,000*l.* of cash or bank notes.

"In consequence of these and other facilities afforded by the intervention of bankers for the settlement of pecuniary transactions, the money required to conduct the business of an extensive country is reduced to a trifle only, compared with what it would otherwise be. It is not, indeed, possible to form any very accurate estimate of the total saving that is thus affected; but, supposing that fifty or sixty millions of gold and silver and bank notes are at present required, notwithstanding all the devices that have been resorted to for economising money for the circulation of Great Britain, it may, one should think, be fairly concluded, that two hundred millions would, at the very least, have been required to transact an equal amount of business, but for those devices. If this statement be nearly accurate, and there are good grounds for thinking that it is rather under than over-rated, it strikingly exhibits the vast importance of banking in a public point of view. By its means, fifty or sixty millions are rendered capable of performing the same functions, and in an infinitely more commodious manner, that would otherwise have required four times that sum; and, supposing that twenty or thirty millions are employed by the bankers as a capital in their establishments, no less than 120 or 130 millions will be altogether disengaged, or cease to be employed as an instrument of circulation, and made available for employment in agriculture, manufactures, and commerce."

SECTION III.

THE JOINT-STOCK BANKS IN LONDON.

London is the head-quarters of several joint-stock banks, who conduct their business operations in the provinces, in Ireland, or in the Colonies. But we purpose here to notice only those joint-stock banks who carry on business as London bankers. These are:—

The London and Westminster Bank.
The London Joint-Stock Bank.
The Union Bank of London.
The London and County Banking Company.
The City Bank.
The Bank of London.
The National Bank.
The Alliance Bank, Limited.
The Imperial Bank, Limited.
The Metropolitan and Provincial Bank, Limited.
The East London Bank, Limited.

LONDON AND WESTMINSTER BANK.

Subscribed Capital, £5,000,000*l.*—*Paid-up Capital,* £1,000,000.

ESTABLISHED MARCH, 1834.

DIRECTORS.

HENRY BUCKLE, ESQ.
JOHN GARRATT CATTLEY, ESQ.
THOMAS CHAPMAN, ESQ., F.R.S.
JAMES DENIS DE VITRÉ, ESQ.
BONAMY DOBREE, ESQ.
FREDERICK J. EDLMANN, ESQ.
JOSEPH ESDAILE, ESQ.
CHARLES FREEMAN, ESQ.
AUGUSTUS WM. GADESDEN, ESQ.
JOHN PETER GASSIOT, ESQ., F.R.S.
ALEXANDER GILLESPIE, ESQ.
GEORGE HANSON, ESQ.
HENRY JOHN NORMAN, ESQ.
DAVID SALOMONS, ESQ., ALD., M.P.
WILLIAM TITE, ESQ., M.P., F.R.S.
WILLIAM WALLACE, ESQ.

TRUSTEES AND REGISTERED PUBLIC OFFICERS.

THOMAS CHAPMAN, ESQ., F.R.S.
JAMES DENIS DE VITRÉ, ESQ.
JOSEPH ESDAILE, ESQ.
GEORGE HANSON, ESQ.
DAVID SALOMONS, ESQ., ALD., M.P.

GENERAL MANAGER.—WILLIAM EWINGS, ESQ.

CITY OFFICE—41, Lothbury; W. S. Higley, Manager.
COUNTRY DEPARTMENT—41, Lothbury; T. C. Fletcher, Manager.
WESTMINSTER BRANCH—1, St. James's Square; J. W. Weldon, Manager.
BLOOMSBURY BRANCH—214, High Holborn; C. Reeve, Manager.
SOUTHWARK BRANCH—3, Wellington Street, Borough; H. Withers, Manager.
EASTERN BRANCH—87, High Street, Whitechapel; T. Windle, Manager.
ST. MARYLEBONE BRANCH—4 Stratford Place, Oxford Street; H. Cundell, Manager.
TEMPLE BAR BRANCH—217, Strand; F. Rothney, Manager,
LAMBETH BRANCH—91, Westminster Bridge Road; G. Tozer, Manager.

SECRETARY.—TRESSILLIAN P. SHIPP.

The capital of the Bank is £5,000,000 sterling, in 50,000 Shares of £100 each. The sum of £20 has been paid on each share, so that the paid-up capital is £1,000,000 sterling.

The Bank has above eighteen hundred partners, whose names are registered at the Stamp Office, and are printed with the Annual Report of the Directors.

Current accounts are received on the same principles as those observed by the London bankers. Every person connected with the establishment signs a declaration of secrecy as to the accounts of individuals. No Christmas Boxes or other gratuities are allowed to be taken by the Officers of the Bank. The Bank takes the agency of Joint-Stock Banks, Private Bankers, and other parties residing at a distance. Strong rooms are provided for the security of deeds and other property lodged by the customers of the Bank. Parties who are desirous of having current accounts, without being under the necessity of keeping a balance, are charged a small commission, proportionate to the amount of their transactions.

Sums of £10 and upwards are received on Deposit at interest, and are repayable upon demand, without notice. For these sums receipts are granted, called deposit receipts. These receipts are not transferable, nor can cheques be drawn against them. When paid, the depositor must either attend in person, or sign the printed form at the back of the receipt. If the money is withdrawn within a month, no interest is allowed. Parties may lodge money upon an Interest account who have no current account,

and those who have current accounts may transfer any portion of their balance to an interest account.

Circular Notes are issued for the use of travellers payable in the principal towns on the Continent of Europe, also in Asia, Africa, and North and South America. No expense whatever is incurred, and when cashed no charge is made for commission. Letters of Credit are also granted on the same places. They may be obtained at the City Office in Lothbury, or at any of the branches.

W. EWINGS, *General Manager.*

London, July 1, 1864.

REPORT OF THE DIRECTORS OF THE

LONDON AND WESTMINSTER BANK,

To the Proprietors, at the half-yearly Meeting, held at the Bank in Lothbury, July 20, 1864.

DAVID SALOMONS, ESQ., Alderman, M.P., in the Chair.

The Directors have to report that—after making provision for all bad and doubtful debts—paying the Income-tax,—and setting apart £2,000 towards the buildings of the bank,—the net profits of the bank for the last half-year amount to £234,032 3*s.* 8*d.* This sum, added to £18,844 12*s.* 9*d.* the unappropriated balance of the preceding half-year, will amount to £252,876 16*s.* 5*d.*

Out of this amount interest on the Rest or Surplus Fund at the rate of five per cent. per annum (£6,898 16*s.* 7*d.*) has been added to that Fund, which now amounts to £282,852 1*s.* 2*d.*

As the shareholders are aware, an arrangement was entered into with Messrs. Jones Loyd & Co. for a transfer of their business on the 18th April last. The sum paid, including their valuable freehold premises (at present temporarily used as the country office) is £187,500.

The Directors now declare a dividend to the shareholders at the rate of six per cent. per annum, and by way of further dividend out of the profits, a bonus of eleven per cent. on the paid-up capital.

The sum of £80,000 has been appropriated in reduction of the amount paid to Messrs. Jones Loyd & Co.

After these payments are made there will remain a balance of £25,977 19*s.* 10*d.*

Out of this amount the Directors recommend that the sum of £17,147 18*s.* 10*d.* be added to the Rest or Surplus Fund, which will then amount to £300,000. This will leave a balance of £8,830 1*s.* to be carried to the profit and loss account for the present half-year.

The Directors desire to express their opinion that the Rest should be increased to the sum of £500,000.

In accordance with the arrangements with Messrs. Jones Loyd & Co., whereby Henry John Norman, Esq., was to be proposed to the shareholders for a seat in the direction, the Directors now recommend that Mr. Norman be elected an extra Director in anticipation of the next vacancy, and a resolution to this effect will be submitted to the Meeting.

LONDON AND WESTMINSTER BANK, 30TH JUNE, 1864.

Dr.	£	s.	d.	*Cr.*	£	s.	d.
To Proprietors for Paid-up Capital	1,000,000	0	0	By Government Stock, Exchequer Bills and India Bonds	2,492,412	9	0
To Amount due by the Bank on deposits, Circular Notes, Dividends and other Moneys payable on demand	18,516,083	14	2	By Bills discounted, Loans to Customers, and other Securities	16,035,805	9	10
To Rest or Surplus Fund	275,953	4	7	By Cash in hand	1,516,695	16	4
To Balance of Profit and Loss Account, 31st Dec., 1863	18,844	12	9				
To net Profits of the past half-year	234,032	3	8				
	£20,044,913	15	2		£20,044,913	15	2

PROFIT AND LOSS.

Dr.	£	s.	d.	*Cr.*	£	s.	d.
To Total Expenditure of the Eight Establishments, including Rent, Taxes, Salaries, Stationery, &c.	50,693	17	0	By Balance of Profit and Loss Account, 31st Dec., 1863	18,844	12	9
To Amount set apart toward the Buildings of the Bank	2,000	0	0	By Gross Profits of the last Half-year, after paying the Income Tax, and making provision for all bad and doubtful debts	286,726	0	8
To Amount added to Rest or Surplus Fund by Interest thereon at Five per cent. per annum	6,898	16	7				
To Payment of the Dividend now declared, at the rate of Six per cent. per annum, for the last Half-year on the Paid-up Capital of £1,000,000	30,000	0	0				
To Bonus of Eleven per cent. on the Capital	110,000	0	0				
To Payment on Account of Messrs. Jones Loyd & Co.	80,000	0	0				
To Balance of Profit and Loss Account	25,977	19	10				
	£305,570	13	5		£305,570	13	5

REST, OR SURPLUS FUND.

Dr.	£	s.	d.	*Cr.*	£	s.	d.
Present Amount	282,852	1	2	Amount on the 1st January, 1864	275,953	4	7
				By Interest on ditto, at Five per cent. per annum	6,898	16	7
	£282,852	1	2		£282,852	1	2

The foregoing Report and Statements having been read to the Meeting by the Secretary, it was unanimously resolved,—

1. That the Report now read be adopted and printed and circulated among the Proprietors.

2. That Henry John Norman, Esq., be appointed an extra Director, in anticipation of the next vacancy, as and from the 18th April last.

3. That the thanks of the Meeting be presented to the Board of Directors for their able administration of the affairs of the Bank during the past half-year.

4. That the thanks of the Meeting be presented to William Ewings, Esq., the General Manager; to the Managers; and to the other Officers of the Bank, for their services during the past half-year.

5. That the thanks of the Meeting be presented to David Salomons, Esq., Alderman, M.P., for his able and courteous conduct in the Chair.

Extracted from the Minutes.

TRESSILLIAN P. SHIPP, *Secretary.*

The Dividend and Bonus (without deduction of Income-tax, which is paid by the Bank) will be payable on Monday, the 25th inst.

FIFTY-FOURTH REPORT

OF

THE LONDON JOINT-STOCK BANK.

At a General Meeting of the Shareholders, held at the Banking House of the Company, in Princes Street, Mansion House, on THURSDAY, *the* 21*st of July*, 1864.

JOHN TIMOTHY OXLEY, ESQ., CHAIRMAN.
FREDERICK RODEWALD, ESQ., DEPUTY CHAIRMAN.

DIRECTORS.

WILLIAM BIRD, ESQ.
WILLIAM BLOUNT, ESQ.
GEORGE THOMAS BROOKING, ESQ,
HENRY CHRISTY, ESQ.
FRANCIS JOS. DELAFOSSE, ESQ.
ALD. SIR JAMES DUKE, BART. M.P.
PHILIP WILLIAM FLOWER, ESQ.
FRAN. BENNETT GOLDNEY, ESQ.
CHARLES JAMES HEATH, ESQ.
WILLIAM J. LANCASTER, ESQ.
DONALD LARNACH, ESQ.
HENRY LEE, ESQ.
JOHN GEORGE MACLEAN, ESQ.
JOHN TIMOTHY OXLEY, ESQ.
GEORGE POLLARD, ESQ.
FREDERICK RODEWALD, ESQ.
JOHN JOSEPH SILVA, ESQ.
SIR JNO. WILLIAM SMITH, K.C.B.
GEORGE TAYLER, ESQ.

MANAGERS—HEAD OFFICE.

MR. FLEMING HEWETT. | MR. JOHN WHITAKER NUTTER.
MR. WM. FREDK. NARRAWAY, *Country Manager.* MR. CHARLES JOHN EVANS, *Chief Cashier*

WESTERN BRANCH, 69, PALL MALL.
MR. ROBERT GURNEY BARCLAY, *Manager.*

SOLICITORS.—MESSRS. CLARKE, SON, AND RAWLINS.

The following Report was presented:—

The annexed accounts, which the Directors have much pleasure in laying before the Meeting, will inform the shareholders that during the six months, ending the 30th ult., the Bank has made a net profit of £124,476 7*s*. 10*d*., out of which they will receive the usual dividend at the rate of 12½ per cent. per annum, with a bonus of £1 per share, leaving a balance of £26,976 7*s*. 10*d*., to be carried to profit and loss new account, for appropriation at the end of the year.

The Guarantee Fund has been credited with the accruing interest, and debited with the depreciation ascertained on the revaluation of Government Securities held by the Bank, and now amounts to £276,301 7*s*. 8*d*.

The Directors have not succeeded in their endeavours to obtain, by means of an Act of Parliament, the necessary powers to effect the contemplated partial capitalization of this Fund, and the removal of the restrictions by which the Deed of Settlement of the Company has hitherto limited its application to specific objects. Their Bill was met at an advanced stage of its progress in the House of Lords by an objection, which made it evident that it would not be allowed to pass, and that to proceed further would only entail useless expense.

The plan of dealing with the Guarantee Fund in the manner suggested at the last meeting, was therefore necessarily abandoned; but the circumstances of the present time

having forcibly brought under the consideration of the Directors the expediency of making a substantial addition to the capital of the Bank, commensurate with its enlarged and increasing business, they have decided to convene, for Thursday, the 18th proximo, a Special General Meeting of Shareholders, when a resolution will be proposed to increase the capital to Four Millions by 20,000 new shares, 12,000 of which to be at once offered rateably to the proprietors of the existing shares, at a premium of £30 per share, and the remaining 8000 to be issued hereafter, at the discretion of the Directors, to the then shareholders.

The premium to be received on the 12,000 new shares to be capitalized rateably amongst all the shareholders; whereby the capital of the Bank will be increased to 72,000 shares of £50 each, paid up to the extent of £15 per share, thus raising the paid-up capital, on the completion of the first issue to, £1,080,000.

The dividend and bonus, free from Income-tax, will be payable on and after Friday, the 29th instant.

The preceding Report having been read to the Meeting by the Secretary, a dividend for the half-year ending the 30th June last, after the rate of 12½ per centum per annum, and a further division of £1 per share, out of the net profits of the half-year ending as above, were declared by the Chairman.

Resolved *unanimously*,—That the Report now read be received, and that it be printed for the use of the shareholders.

Resolved *unanimously*,—That the best thanks of the shareholders be given to the Chairman and Directors for the able and successful manner in which they have conducted the affairs of the Bank.

Resolved *unanimously*,—That the thanks of this Meeting be given to the Managers and Officers for their zealous attention to the business of the Bank.

(Signed) JOHN T. OXLEY, *Chairman.*

Extracted from the Minutes. ALFRED SCRIVENER, *Secretary.*

LIABILITIES AND ASSETS, THURSDAY, 30TH JUNE, 1864.

THE LONDON JOINT-STOCK BANK.

Dr.	£	s.	d.	£	s.	d.
To Capital paid up, viz., 60,000 Shares, at £10 each				600,000	0	0
To Amount due by the Bank				14,959,649	17	3
To Amount of the "Guarantee Fund," 31st December, 1863	279,759	19	8			
To Six Months' Interest on ditto, at £3 per cent. per annum	4,196	8	0			
	283,956	7	8			
Less decrease since the valuation on 31st December, 1863, in the market value of Government securities held by the Bank	7,655	0	0			
				276,301	7	8
To Amount carried to Profit and Loss Account				190,030	15	9
				£16,025,982	0	8

Cr.	£	s.	d.	£	s.	d.
By Exchequer Bills and Government Stock				1,025,070	8	3
By Cash, Loans, Bills discounted, and other Securities				14,959,061	12	5
By Building, Furniture, &c., in Princes Street	35,600	0	0			
By ditto ditto in Pall Mall	6,250	0	0			
				41,850	0	0
				£16,025,982	0	8

PROFIT AND LOSS ACCOUNT

OF THE LONDON JOINT-STOCK BANK FOR THE HALF-YEAR ENDING 30TH JUNE, 1864.

Dr.	£	s.	d.
To Current Expenses, proportion of Building Expenses, Directors' Remuneration, Bad Debts, Income Tax, &c.	27,962	11	8
To Amount carried to Profit and Loss, New Account, being rebate of Interest on Bills discounted not yet due	37,591	16	3
To Dividend Account for the Payment of Half-a-Year's Dividend at the rate of 12½ per centum per annum, upon £600,000 amount of paid-up Capital upon 60,000 Shares	37,500	0	0
To ditto, for the payment of a Bonus of £1 per Share	60,000	0	0
To Amount carried forward to Profit and Loss, New Account	26,976	7	10
	£190,030	15	9

Cr.	£	s.	d.
By Balance brought down	190,030	15	9
	£190,030	15	9

THE LONDON JOINT-STOCK BANK.

ESTABLISHED IN 1836.

HEAD OFFICE, PRINCES STREET, MANSION HOUSE.
WESTERN BRANCH, 69, PALL MALL.

Subscribed Capital, £3,000,000.—*Paid-up Capital*, £600,000.
Guaranteed Fund, £276,301.

Accounts of parties are kept agreeably to the custom of London bankers.

Parties keeping Banking accounts with the Bank can at all times transfer to a deposit account such portion of their balance as they may not immediately require, upon which interest at the current rate of the day will be allowed.

Deposits are also received from parties not customers, either at call or for fixed periods, on interest at the market rates.

The agency of Joint Stock, and other Country and Foreign Banks, undertaken on such terms as may be agreed upon.

Investments in, and sales of, all descriptions of British and Foreign securities, bullion, specie, &c., effected.

Dividends on English and Foreign Funds, on Railway and other Shares, Debentures, and Coupons, received without charge to customers. Every other description of banking business and money agency transacted, and Letters of Credit granted on the Continent, and on the chief commercial towns of the world.

THIRTY-SECOND REPORT

OF

THE UNION BANK OF LONDON.

P. NORTHALL LAURIE, Esq., Governor.
JAMES FARQUHAR, Esq., Deputy Governor.

DIRECTORS.

Charles Lyall, Esq.
John Chapman, Esq.
Archibald Boyd, Esq.
John Scott, Esq.
Leo Schuster, Esq.
Sir John Musgrove, Bart., Alderman.
Harry George Gordon, Esq.
Samuel Beale, Esq., M.P.
Fleetwood P. Wilson, Esq.
John Gilchrist, Esq.
William Scholefield, Esq., M.P.
Thomas Augustus Gibb, Esq.

At a General Meeting of the Proprietors, held at the Court Room of the Banking House, 2, Princes Street, Mansion House, on Wednesday, the 13th of July, 1864, P. Northall Laurie, Esq., *Governor, in the Chair, the following Report was read by the Secretary:—*

The Directors have much satisfaction in reporting that the net profits of the Bank for the six months ending the 30th June last, after payment of all charges (including the sum of £149,520 8*s.* 8*d.* for interest paid and due to customers on their current and deposit accounts), and making ample provision for all bad and doubtful debts, amount to £154,370 18*s.* 10*d.*, which, with £992 7*s.* 4*d.* brought forward from 31st December last, leaves for appropriation the sum of £155,363 6*s.* 2*d.*

The Directors have declared a dividend for the last six months at the rate of 15 per cent. per annum, and a bonus of 2½ per cent. on the paid-up capital, being at the rate of 20 per cent. per annum, clear of Income-tax; and after payment of the above, amounting to £78,000, there will remain a balance of £77,363 6*s.* 2*d.*

The Directors are now enabled to make a third addition to the paid-up capital of the Bank out of profits, and they have, therefore, appropriated £77,000 to the Reserved Fund, thereby raised to £187,000; and out of such amount they have appropriated £120,000, being £2 per share, to the paid-up capital, which will thus be further increased from £780,000 to £900,000, and being, with previous additions, an increase of £300,000, or 50 per cent. out of profits, to the original paid-up capital of £600,000.

After deducting the dividend and bonus, and £120,000 added to the paid-up capital, amounting together to £198,000, there will remain the sum of £67,000 to the credit of the Reserved Fund, and an unappropriated balance of £363 6*s.* 2*d.* to be carried forward to a new profit and loss account.

The following Directors retire by rotation under the provisions of the Deed of Settlement, viz.:—Harry George Gordon, Esq., Samuel Beale, Esq., M.P., and Fleetwood Pellew Wilson, Esq., who, being eligible, offer themselves, and are recommended by the Court of Directors for re-election.

London. 13*th July,* 1864.

THE UNION BANK OF LONDON.—For the Half-year ending 30th June, 1864.

GENERAL BALANCE.

Dr. LIABILITIES.

	£	£	s.	d.
Capital, £10 per Share paid up on 60,000 Shares	600,000			
Ditto, £3 per Share added out of Reserved Profits	180,000			
		780,000	0	0
Due by the Bank on Current Accounts, Deposit Receipts (including Interest accrued), and other obligations		19,518,675	6	8
Reserved Fund, invested in Consols, as per contra		110,000	0	0
Rebate on Bills not due		43,465	5	6
Balance at Credit of Profit and Loss		155,363	6	2
		£20,607,503	18	4

Cr ASSETS.

	£	s.	d.	£	s.	d.
Cash in the Bank	721,343	19	2			
„ in Bank of England	751,545	6	9			
„ lent at Call	1,094,000	0	0			
				2,566,889	5	11
Investments in Government Stock, Exchequer Bills, Debentures, &c.				1,156,080	4	2
£118,460 19*s.* 8*d.* Consols (taken at 92⅞) Reserved Fund				110,000	0	0
Bank Premises—consisting of Freehold Buildings in Princes Street, Mansion House Street, Argyll Place, and Fleet Street; and Lease and Fixtures of No. 4, Pall Mall East				108,775	4	5
Loans, Bills Discounted, &c.				16,665,759	3	10
				£20,607,503	18	4

PROFIT AND LOSS ACCOUNT.

Dr.

	£.	s.	d.
Dividend at the Rate of 15 per Cent. per Annum	58,500	0	0
Bonus 2½ per Cent.	19,500	0	0
	78,000	0	0
Appropriated to Reserved Fund	77,000	0	0
Balance, being Undivided Profit carried forward to next Half-year	363	6	2
	£155,363	6	2

Cr.

	£	s.	d.
Profit unappropriated on 31st December, 1863	992	7	4
Amount of Net Profit of the Half-year ending 30th June, 1864, after deducting all Expenses, and Interest paid and due (£149,520 8*s.* 8*d.*), allowed to Customers on their Current and Deposit Accounts	154,370	18	10
	£155,363	6	2

The Chairman then declared a dividend for the past half-year at the rate of 15 per cent. per annum, and a bonus of 2½ per cent. clear of income-tax.

It was resolved unanimously—

That the Report now read be adopted, printed, and circulated among the proprietors.

That Harry George Gordon, Esq., be re-elected a Director of the Bank.

That Samuel Beale, Esq., M.P., be re-elected a Director of the Bank.

That Fleetwood Pellew Wilson, Esq., be re-elected a Director of the Bank,

That reference having been made to the Statement circulated among the proprietors in March last by Mr. Charles Geach, late a clerk in the service of the Bank, this Meeting declines to constitute itself a Court of Appeal from the decisions of the Board in matters of executive detail.

That the cordial thanks of the Meeting be given to the Court of Directors for the very able, judicious, and profitable manner in which they have conducted the business of the Bank during the past half-year.

That the best thanks of the Meeting be given to Mr. W. W. Scrimgeour, the General Manager, for his able services; and this Meeting desire to express their sympathy with Mr. Scrimgeour in his recent severe domestic bereavement.

That the thanks of the Meeting be given to Mr. Barton, the Manager; Mr. Ingpen, the Manager of the Regent Street Branch; Mr. St. Barbe, the Manager of the Charing Cross Branch; Mr. Beattie, the Manager of the Temple Bar Branch; and to Mr. Henry Newmarch, the Secretary, for the zealous and efficient manner in which they have discharged their several duties.

(Signed) P. Northall Laurie, *Governor.*

That the thanks of the Meeting be given to P. Northall Laurie, Esq., the Governor, for his able and courteous conduct in the Chair.

(Signed) James Farquhar, *Deputy Governor.*

Extracted from the Minutes.

Henry Newmarch, *Secretary.*

N.B.—The dividend and bonus will be payable on and after Wednesday, the 20th instant.

SPECIAL GENERAL MEETING OF PROPRIETORS, 13th July, 1864.

Report.

The following Report was read by the Secretary:—

The Directors have convened this General Special Meeting for the purpose of submitting to the proprietors their unanimous recommendation that the subscribed capital of the Bank be increased from £3,000,000 to £4,000,000, by the creation of 20,000 new shares of £50 each, as communicated to the proprietors by Circular of the 27th April last, and Resolutions to that effect will now be submitted for the consideration and approval of this Meeting.

The reason for this course was stated in the Circular referred to; and the Report, which has been read this day at the Annual General Meeting, appears to the Directors to confirm so fully the expediency of increasing the paid-up capital of the Bank to an amount more commensurate with the extent of its business, that they confidently anticipate the concurrence of the proprietors in the course recommended.

It was then resolved unanimously:—

That, in consequence of the very large increase of the business of the Bank, it is expedient to increase the subscribed capital of the Bank from £3,000,000 to £4,000,000, by the creation of 20,000 new shares £50 each.

That such shares be issued rateably to the proprietors whose names were on the Register of Proprietors on the 24th of June last, at a premium of £15 per share.

That such shares be issued at the price of £30 each, whereof £15 shall be appro-

priated to the capital, and £15 to the Reserved Fund; and that the mode of payment for the shares be as follows, viz. :—

Such proprietors as shall pay for their shares in full on or before Thursday, the 18th August next, shall be entitled to participate in respect of such shares in the dividend which will be payable in January, 1865; and such proprietors as do not desire to pay for their Shares in full, shall pay for the same by three equal instalments, on the 18th August, the 1st October, and the 1st December next, and they shall receive for such instalments interest at the rate of 5 per cent. per annum from the respective days of payment up to the 31st December next.

(Signed) P. NORTHALL LAURIE, *Governor.*

Extracted from the Minutes.

HENRY NEWMARCH, *Secretary.*

UNION BANK OF LONDON.

ESTABLISHED 1839.

DIRECTORS.

P. NORTHALL LAURIE, ESQ., GOVERNOR.
JAMES FARQUHAR, ESQ., DEPUTY GOVERNOR.

CHARLES LYALL, ESQ.
JOHN CHAPMAN, ESQ.
ARCHIBALD BOYD, ESQ.
JOHN SCOTT, ESQ.
LEO SCHUSTER, ESQ.
SIR JOHN MUSGROVE, BART., ALDERMAN.
HARRY GEORGE GORDON, ESQ.
SAMUEL BEALE, ESQ., M.P.
FLEETWOOD P. WILSON, ESQ.
JOHN GILCHRIST, ESQ.
WILLIAM SCHOLEFIELD, ESQ., M.P.
THOMAS AUGUSTUS GIBB, ESQ.

PRINCIPAL OFFICE, 2, PRINCES STREET, MANSION HOUSE.
WILLIAM WILSON SCRIMGEOUR, General Manager.

REGENT STREET BRANCH OFFICE, *Argyll Place*—ROBERT FREDERICK INGPEN, Manager.
CHARING CROSS BRANCH OFFICE, 4, *Pall Mall East*—JOHN ST. BARBE, Manager.
TEMPLE BAR BRANCH OFFICE, 13, *Fleet Street*—JOHN BEATTIE, Manager.
SECRETARY.—HENRY NEWMARCH.

The capital of the Bank is £3,000,000 sterling, in 60,000 shares of £50 each (on which £13 have been paid), held by upwards of 1,300 proprietors, whose names are published periodically.

TERMS.

Current Accounts.—These will be made up to the 30th of June and 31st of December in each year, and if the balance shall not, at any time during the half-year, have been below £500, interest at the rate of 2 per cent. per annum will be allowed on the minimum monthly balances. If not below £200, interest at the rate of 1 per cent. per annum will be allowed on the minimum monthly balances; but if below £200, no interest will be allowed.

Deposit Accounts.—Interest allowed on money placed on deposit at seven days' notice, whether by customers or the public generally, and receipts given for the sums so deposited.

Notice of changes in the rate of interest will be given by advertisement only.

At the expiration of the seven days' notice of withdrawal of a deposit without the amount being withdrawn, the interest will cease, unless the depositor express his wish to continue the deposit, subject to further notice.

GENERAL BUSINESS.

The agency of Country and Foreign Banks, whether Joint Stock or Private.

Circular Notes and Letters of Credit issued for all parts of the Continent of Europe and elsewhere.

Purchases and sales effected in all the British and Foreign stocks and securities.

Dividends on stocks and shares, the half-pay of officers, pensions, annuities, &c., received for customers without charge.

No Fee or Gratuity received by the Clerks of the Bank.

W. W. SCRIMGEOUR, *General Manager.*

LONDON AND COUNTY BANKING COMPANY,

ESTABLISHED 1836.

Subscribed Capital, £1,785,000, *in* 37,500 *Shares of* £50 *each.*
Paid-up Capital, £700,000. *Reserve Fund,* £200,000.

DIRECTORS.

THOS. TYRINGHAM BERNARD, ESQ., M.P.
PHILIP PATTON BLYTH, ESQ.
JOHN WILLIAM BURMESTER, ESQ.
COLES CHILD, ESQ.
HUGH C. E. CHILDERS, ESQ., M.P.
JOHN FLEMING ESQ.
FREDERICK HARRISON, ESQ.
EEWARD HUGGINS, ESQ.
WILLIAM CHAMPION JONES, ESQ.
JAMES LAMING, ESQ.
WILLIAM LEE, ESQ., M.P.
WILLIAM NICOL, ESQ., M.P.

TRUSTEES.

P. P. BLYTH, ESQ. | J. W. BURMESTER, ESQ. | W. C. JONES, ESQ.

AUDITORS.

WILLIAM NORMAN, ESQ. | RICHARD H. SWAINE, ESQ. | JOHN WRIGHT, ESQ.

GENERAL MANAGER.
WILLIAM MCKEWAN, ESQ.

CHIEF INSPECTOR.
W. J. NORFOLK, ESQ.

ASSISTANT GENERAL MANAGER.
WILLIAM HOWARD, ESQ.

CHIEF ACCOUNTANT.
JAMES GRAY, ESQ.

INSPECTORS OF BRANCHES.
H. J. LEMON, ESQ., AND C. SHERRING, ESQ.

SOLICITORS.
MESSRS. WILKINSON & CO.

SECRETARY.—F. CLAPPISON, ESQ.

HEAD OFFICE, 21, LOMBARD STREET.

METROPOLITAN BRANCHES.

BAYSWATER—Westbourne Grove; G. E. Martin.
BOROUGH—High Street, Borough; H. G. Baynes.
COVENT GARDEN—Henrietta Street; T. Dyson.
HACKNEY—1, Amherst Road East; J. R. Anning.
HANOVER SQUARE—21, Hanover Square; T. R. Walker.
HOLBORN—324 and 325, High Holborn; L. R. Sykes.
ISLINGTON—19, Islington High Street; A. Pattison.
KENSINGTON—High Street; H. G. Jones.
KNIGHTSBRIDGE—Albert Gate; Geo. Sheward.
LAMBETH—216 (late 77), Westminster Bridge Road; J. A. Smith.
LIMEHOUSE—1, Providence Place; J. H. Maclean.
NEWINGTON—High Street; J. A. Smith.
OXFORD STREET—441, Oxford Street; H. H. Buxton.
PADDINGTON—6, Berkeley Place, Edgware Road; C. A. Bentham.
SHOREDITCH—187, Shoreditch; J. R. Anning.
STRATFORD, ESSEX—Broadway; A. J. Stowell.
WESTMINSTER—3, Victoria Street; C. Meacock.

COUNTRY BRANCHES.

Abingdon and Ilsley—J. P. Hammet.
Andover—J. F. Hunnard.
Arundel, Little Hampton, and Steyning—W. K. Milward.
Ashford and Hythe—J. S. Coombs.
Aylesbury, Great Berkhampstead, and Thame—A. Selfe.
Banbury—R. Havers.
Basingstoke and Hartley Row—E. J. Gill.
Battle and Robertsbridge—J. G. O'Neill.
Bedford—T. S. Trapp.
Bishop's Stortford—B. I. Barlow.
Braintree and Coggeshall—A. R. Clench.
Brentford and Hounslow—R. C. Tate.
Brentwood—R. Roberts.
Brighton—J. G. Cockburn.
Buckingham and Stony Stratford — W. Slade.
Cambridge and Saffron Walden — O. J. Andrews.
Canterbury, Whitstable, and Herne Bay—J. Hemery.
Chatham, Rochester, and Sheerness—G. E. Gates.
Chelmsford—C. Weedon.
Chichester and Bognor—J. P. Benwell.
Colchester and Sudbury—G. Thomas.
Cranbrook and Hawkhurst—E. Hills.
Croydon—E. Lowndes.
Dartford and Farningham—H. J. Jones.
Deptford—T. W. Day.
Dorking and Leatherhead—A. Strachan.
Dover—H. Johnson.
Epsom—M. J. Willis.
Farnham—H. Goujon.
Gravesend—A. F. Merrett.
Greenwich—R. Moline.
Guildford—J. T. Edwards.
Halstead and Haverhill—R. E. Greenwood.
Hastings and St. Leonards—J. G. O'Neill.
Hertford—J. W. Chesshyre.
High Wycombe and Maidenhead — G. B. Hannaford.
Hitchin and Biggleswade—J. Neal.
Horsham—H. Horne.
Hungerford—G. Hodgetts.
Huntingdon, St. Ives, and St. Neots — J. Parlett.
Kingston-on-Thames—R. S. Dawson.
Leighton Buzzard and Woburn—J. G. Rumball.
Lewes, Hailsham, and Newhaven — R. Lungley.
Luton and Dunstable—W. Bigg.
Maidstone and Wrotham—C. Parker.
Maldon—J. H. S. Sweeting.
Newbury—T. Gurney.
Newport and Cowes, Isle of Wight—R. Penhorn.
Margate—H. F. Older.
Oxford and Witney—H. Strong.
Petersfield—H. Lacy.
Petworth, Midhurst, and Pulbro'—J. W. Orsborn.
Reading and Henley-on-Thames — J. A. Strachan.
Reigate and Redhill—I. Marsh.
Richmond—H. W. Pownall.
Romford—R. Roberts.
Rye—H. Cuerton.
St. Albans—J. D. McKenzie.
Sandwich—E. F. S. Reader.
Sevenoaks and Westerham—C. Palmer.
Sittingbourne and Faversham—E. J. Tarrant.
Tenterden—A. Havers.
Tonbridge—C. R. Peake.
Tonbridge Wells and Ticehurst — E. M. Hunter.
Uxbridge—T. H. James.
Wallingford and Didcot—H. A. Clarke.
Wantage—W. Marlow.
Ware—J. W. Chesshyre.
Watford, Harrow, Hemel Hempstead, and Rickmansworth—J. Linton.
Winchester—J. K. Youldon.
Windsor—B. E. Layard.
Woolwich—J. Grugeon.
Worthing and Shoreham—M. Fresson.

The London and County Bank opens—

Drawing Accounts with commercial houses and private individuals, either upon the plan usually adopted by other bankers, or by charging a small commission to those persons to whom it may not be convenient to sustain an agreed permanent balance.

Deposit Accounts.—Deposit receipts are issued for sums of money placed upon these accounts, and interest is allowed for such periods and at such rates as may be agreed upon, reference being had to the state of the money market.

Circular Notes and Letters of Credit are issued, payable in the principal cities and towns of the Continent, in Australia, Canada, India, and China, the United States, and elsewhere.

The agency of Foreign and Country Banks is undertaken.

The Purchase and Sale of Government and other Stocks, of English or Foreign Shares effected, and *Dividends, Annuities, &c.*, received for customers of the Bank.

Great facilities are also afforded to the customers of the Bank for the receipt of money from the towns where the Company has branches.

The officers of the Bank are bound not to disclose the transactions of any of its customers.

By Order of the Directors,
WM. McKEWAN,
General Manager.

At the Half-yearly Meeting of the Proprietors, held on THURSDAY, the 4th August, 1864, at the LONDON TAVERN, Bishopsgate Street,

The following Report for the Year ending the 30th June, 1864, *was read by the Secretary.*

WILLIAM CHAMPION JONES, ESQ., in the Chair.

REPORT.

The Directors in submitting to the proprietors the Balance Sheet of the Bank, for the Half-year, ending 30th June, 1864, have great pleasure in reporting that the net profit for the six months, after deducting all charges, amounts to £109,501 12*s.* 4*d.*, which, added to £16,668 3*s.* 10*d.*, brought forward from the last account, results in a total of £126,169 16*s.* 2*d.*

Out of this sum the Directors have declared a dividend of 6 per cent., and a bonus of 10 per cent. for the half-year, both free of Income-tax, amounting together to £104,443, leaving a balance of £21,726 16*s.* 2*d.* to be carried forward to profit and loss New account.

The dividend and bonus will be payable at the Head Office, or at any of the Branches, on and after Monday, the 15th August.

BALANCE SHEET

OF THE LONDON AND COUNTY BANKING COMPANY, 30TH JUNE, 1864.

Dr.

	£	s.	d.	£	s.	d.
To Capital paid up				692,913	15	0
Reserve Fund				192,913	15	0
Amount due by the Bank for Customers' Balances, &c.	9,299,871	7	4			
Liabilities on Acceptances, Circular Notes, &c.	2,868,012	11	11			
				12,167,883	19	3
Profit and Loss Balance brought from last Account	16,668	3	10			
Gross Profit for the Half-year, after making Provision for Bad and Doubtful Debts	290,699	2	6			
				307,367	6	4
				£13,361,078	15	7

Cr.

	£	s.	d.	£	s.	d.
By Cash on hand at Head Office, and Branches	1,419,615	7	10			
Cash placed at Call and at notice	1,041,771	6	0			
				2,461,386	13	10
Investments, viz.—						
Government and Guaranteed Stocks	846,337	14	8			
Other Stocks and Securities	105,175	11	10			
				951,513	6	6
Discounted Bills, and advances to Customers in Town and Country				9,677,873	17	10
Freehold Premises in Lombard Street and Nicholas Lane, Freehold and Leasehold Property at the Branches, with Fixtures, and Fittings				121,634	11	7
Interest paid to Customers				76,354	15	11
Salaries and all other Expenses at Head Office and Branches, including Income Tax on Profits and Salaries				72,315	9	11
				£13,361,078	15	7

PROFIT AND LOSS ACCOUNT.

Dr.

	£	s.	d.
To Interest paid to Customers	76,354	15	11
Expenses, as above	72,315	9	11
Rebate on Bills not due, carried to New Account	32,527	4	4
Dividend of 6 per Cent. for the Half-year	39,166	2	6
Bonus of 10 per Cent.	65,276	17	6
Balance carried forward	21,726	16	2
	£307,367	6	4

Cr.

	£	s.	d.
By Balance brought forward from last Account	16,668	3	10
Gross Profit for the Half-year, after making provision for Bad and Doubtful Debts	290,699	2	6
	£307,367	6	4

We, the undersigned, have examined the foregoing Balance Sheet, and have found the same to be correct.

(Signed) WILLIAM NORMAN, R. H SWAINE, JOHN WRIGHT, } *Auditors.*

LONDON AND COUNTY BANK, 28*th July*, 1864.

SEVENTEENTH REPORT

OF

THE CITY BANK, LONDON.

At a General Meeting of the Shareholders, held at the London Tavern, on TUESDAY, 19*th July*, 1864.

PETER BELL, ESQ., CHAIRMAN.

DIRECTORS.

PETER BELL, ESQ.	ROBERT LLOYD, ESQ.
JOHN CAMPBELL, ESQ.	WILLIAM MACNAUGHTAN, ESQ.
HENRY VIGURS EAST, ESQ.	JONATHAN THORP, ESQ.
DAVID Q. HENRIQUES, ESQ.	JOHN VANNER, ESQ.
JOHN HACKBLOCK, ESQ.	AUGUSTUS J. WHITE, ESQ.
JOHN JONES, ESQ.	GEORGE YOUNG, ESQ.
ANDREW LAWRIE, ESQ.	

MANAGERS.

JOHN WOOLMORE DUNCAN, ESQ. | ALFRED GEORGE KENNEDY, ESQ.

BRANCH OFFICE.—E. G. MULLINS, ESQ.

SOLICITORS.—Messrs. PEARCE, PHILLIPS, & PEARCE.

The "Register of Shareholders" and "Register of Transfers" having been authenticated by impressing thereupon the Corporate Seal of the Bank, the following Report was read by the Secretary, viz.:—

The Directors have to submit to the shareholders the annexed Statement of the liabilities and assets of the City Bank, and of the profit and loss account, for the six months ending the 30th June last, which show a net profit of £57,969 17*s.* 9*d.* and enable the Directors to declare the usual dividend of 6 per cent. per annum upon the paid-up capital, and a bonus of £3 10*s.* per share (together equal to 10 per cent. for the half-year), free of Income-tax; to place £10,000 to the Reserved Fund (thereby increasing it to £140,000); and to carry forward to the new profit and loss account £7,969 17*s.* 9*d.*

This very satisfactory result of the half-year's operations has induced the Directors to increase the Reserved Fund.

The Directors have to announce, with great regret, that Mr. A. J. White has been compelled by continued ill health, to resign the appointment of Manager, which he had held since the formation of the Bank. The Directors believe that the shareholders will cordially approve of the grant of a retiring pension of £1,500 per annum, made to him in recognition of his past most valuable services; and, subject to the confirmation of this meeting, they have elected him to a seat at the Board.

Mr. John W. Duncan, late Sub-Manager—and Mr. Alfred George Kennedy, late Country Manager of the London Joint-Stock Bank—have been appointed Joint Managers.

The business of the Bond Street branch continues to progress satisfactorily.

The forms required by the Board of Trade having been complied with, the amount of paid-up capital from the 1st of July is £500,000.

The Directors who now retire from Office, in rotation are—Mr. John Hackblock, Mr. Andrew Lawrie, Mr. William Macnaughtan, all of whom offer themselves for re-election.

The dividend and bonus will be payable at the Bank on and after the 26th instant.

It *was* Resolved *unanimously*, that the Report now read be received and adopted.

Whereupon, a dividend was declared, for the period ending the 30th June last, at and after the rate of £6 per cent. per annum on the paid-up capital, and a bonus of £3 10s. per share—both free of Income-tax.

The following Directors having retired by rotation, were unanimously re-elected, viz: Mr. John Hackblock, Mr. Andrew Lawrie, Mr. William Macnaughtan.

The election by the Directors, of Mr. Augustus Jackson White to a seat at the Board, was then confirmed.

Resolved *unanimously*—That a vote of thanks be tendered to the Chairman and Directors for their able and prudent management of the affairs of the Bank.

That the thanks of the shareholders be given to Mr. Duncan, the late Sub-Manager; Mr. Worth, the Secretary; and Mr. Mullins, the Branch Manager, for their efficient services in the interest of the Bank during the past half-year.

That the thanks of the Meeting be given to Mr. Lewis and Mr. Curry, the Auditors, for their careful attention in auditing the Accounts.

(Signed) PETER BELL, *Chairman.*

Extracted from the Minutes.

COOPER J. WORTH, *Secretary.*

THE CITY BANK, LONDON.

LIABILITIES AND ASSETS, THURSDAY 30TH JUNE, 1864.

Dr.

		£	s.	d.
To Capital paid-up, viz., £50 per Share on 8,000 Shares		400,000	0	0
To Amount of Reserved Fund		130,000	0	0
To Amount received on account of New Shares		100,000	0	0
To Amount due by the Bank on Current and Deposit Accounts, Bills Payable, Letters of Credit, &c.		4,781,633	11	8
To Profit and Loss for the Balance of that Account, viz.—				
Surplus Profit brought forward from last Half Year	£9,380 19 8			
Since added	73,855 9 1			
		83,236	8	9
		£5,494,870	0	5

Cr.

	£	s.	d.	£	s.	d.
By Exchequer Bills Government Securities and East India Debentures	298,980	15	4			
By other Debentures	10,243	15	0			
				309,224	10	4
By other Securities, including Bills discounted and Loans				4,449,218	7	8
By Bank Premises in Threadneedle Street and Old Bond Street, Furniture, Fixtures, &c.				29,944	15	0
By Cash in Hand, at Bank of England and at Call				706,482	7	5
				£5,494,870	0	5

PROFIT AND LOSS ACCOUNT
OF THE CITY BANK FOR THE HALF YEAR ENDING 30TH JUNE, 1864.

Dr.

	£	s.	d.
To Current Expenses, including Salaries, Rent, Stationery, Directors' Remuneration, Proportion of Building Expenses, Allowance for Bad and Doubtful Debts, Income Tax, &c.	14,214	18	11
To Amount carried to Profit and Loss New Account, being Rebate on Bills discounted not yet due	11,051	12	1
To Amount transferred to Reserve Fund, in addition to the £130,000 already at the credit of that Account	10,000	0	0
To Dividend Account, for the payment of a Dividend at the rate of £6 per centum per annum upon £400,000, amount of paid-up Capital upon 8,000 Shares	12,000	0	0
To Bonus of £3 10*s.* per Share on 8,000 Shares	28,000	0	0
To undivided Profit transferred to Profit and Loss New Account	7,969	17	9
	£83,236	8	9

Cr.

	£	s.	d.	£	s.	d.
By Balance brought down, viz. :—						
Surplus Profit brought forward from last Half Year	9,380	19	8			
Since added	73,855	9	1			
				83,236	8	9
				£83,236	8	9

We have examined and approved the above Accounts.

OWEN LEWIS, }
JOHN CURRY, } *Auditors.*

THE CITY BANK, LONDON.

INCORPORATED BY ROYAL CHARTER, A.D. 1855,

HEAD OFFICE (Corner of FINCH LANE), THREADNEEDLE STREET.
BRANCH OFFICE, No. 34, OLD BOND STREET.

Subscribed Capital (10,000, *Shares of* £100 *each*), £1,000,000.—*Paid-up Capital*, £500,000.—*Reserved Fund*, £140,000.

Current Accounts are made up to the 30th of June and the 31st of December, in each year; and if the credit balance shall not, at any time during the half-year, have been below £500, interest at the rate of 2 per cent. per annum is allowed on the minimum monthly balances. If not below £200, interest at the rate of 1 per cent. per annum is allowed on the minimum monthly balances; but if under £200, no interest is allowed. Parties keeping current accounts have the privilege of drawing cheques —of having approved bills discounted—of obtaining loans upon negotiable securities—of depositing bills, coupons, &c., for collection,—and of lodging with the Bank, Deeds and other valuable property in the Fireproof Strong-Rooms for safe custody.

Deposit Accounts.—Money, in amounts of £20 and upwards, is received from the public generally,—subject to 7 days' notice of withdrawal, and interest is allowed thereon at the current rate of the day; the Bank notifying any change in the rate of interest by advertisement in one or more of the leading London newspapers. If the money be withdrawn within a fortnight, no interest is allowed. Persons having current accounts can transfer any portion of their credit balance to deposit account.

The *Agency* of *Country* and *Foreign Banks*, whether Joint Stock or Private, is undertaken by the Bank.

Letters of Credit, payable at any of the chief commercial towns and cities of the world are granted.

Circular Notes are issued by the Bank, addressed to all, and payable at any, of the places on the Continent where the Bank has an agent.

Dividends, &c., on Government and other stocks, annuities, pensions, &c., are received for customers of the Bank without charge; the purchase and sale of stocks, shares, and securities are also undertaken: and every description of banking business is transacted.

London, July 19*th*, 1864.

SEVENTEENTH REPORT

OF THE

BANK OF LONDON.

HEAD BANKING HOUSE, THREADNEEDLE STREET.
CHARING CROSS BRANCH, No. 450, WEST STRAND.

DIRECTORS.

SIR JOHN VILLIERS SHELLEY, Bart., M.P., Chairman.
JOHN GRIFFITH FRITH, Esq. (FRITH, SANDS, & Co.), Vice-Chairman.
John Edmund Anderdon, Esq., 4, Stanhope Street, Hyde Park Gardens.
Henry Aste, Esq., 2, Upper Park Road, Haverstock Hill.
Thomas Dakin, Esq., Alderman of London, Abchurch Lane.
Colonel William Elsey, H.E.I.C.S., The Green, Great Ealing.
Thomas Gooch, Esq. (Gooch & Cousens, London Wall).
Charles Joyce, Esq. (Charles Joyce & Co., Moorgate Street).
Thomas Luce, Esq., King Street, St. James's, and Malmsbury, Wilts.
Henry Morris, Esq., late of the Madras Civil Service, 25, Mark Lane, City.
Robert Porter, Esq., 50, Old Broad Street.
Alfred Wilson, Esq., Firgrove, Weybridge, Surrey.

MANAGER.—Matthew Marshall, Jun., Esq.
SECRETARY AND SUB-MANAGER.—C. J. H. Allen, Esq.

At the Seventeenth General Meeting of the Shareholders, held at the London Tavern, Bishopsgate Street, on Wednesday, the 20th July, 1864,

After authentication of the Register of Shareholders, by affixing the Common Seal of the Company, the following Report was read by the Secretary:—

By the annexed statement of accounts which the Directors have the gratification of submitting, it will be seen that the balance of profit at the conclusion of the past half-year amounts to £87,575 0*s.* 4*d.*

After deducting from this sum the current expenses, rebate of interest on bills discounted not yet due, and an ample provision for all bad or doubtful debts, there remains for appropriation the sum of £59,321 6*s.* 3*d.*

The Directors declare a dividend at the usual rate of £10 per cent. per annum, and a bonus of £2 10*s.* per share, amounting together to £20 per cent. per annum, both free of Income-tax; and they transfer to the credit of the Reserve Fund the sum of £18,000, thereby increasing that Fund to £130,000, the balance, viz., £11,321 6*s.* 3*d*, is carried to profit and loss account of the current half-year.

The allotment of new shares, the issue of which was authorized by the shareholders at the Special General Meetings of the 9th and 24th of May last, has been fully taken up, and £39,000 has been received by the Bank on account of the first instalment.

In recognition of the valuable services rendered to the Bank by the Manager, Mr. Marshall, and the Sub-Manager, Mr. Allen, the Directors have presented the sum of £1500 to Mr. Marshall, and £1000 to Mr. Allen, both amounts having been paid out of the profits of the past half-year.

The Directors who retire on this occasion are Charles Joyce, Esq., Henry Morris, Esq., and Robert Porter, Esq., who, being duly qualified, offer themselves for re-election."

BANK OF LONDON,

LIABILITIES AND ASSETS, JUNE 30, 1864.

Dr.	£	s.	d.	*Cr.*	£	s.	d.	£	s.	d.
To Capital paid up	300,000	0	0	By Investments, viz.:—						
Amount received on account of New Shares	39,000	0	0	In Government Securities, India Bonds, &c.				227,822	11	2
Reserve Fund	112,000	0	0	Ditto in Freehold Premises in Threadneedle-street, let at a rental yielding 4½ per cent.	40,000	0	0			
Amount due by the Bank on Current, Deposit, and other Accounts	4,890,280	11	8	Freehold Premises in the occupation of the Bank	35,000	0	0			
Profit and Loss Account after payment of £44,010 5*s.* 4*d.* to customers for interest on their balances	87,575	0	4					75,000	0	0
				Bills Discounted, Loans, &c.				4,374,796	16	0
				Cash in hand, and at call				750,821	16	1
				Lease and Buildings at Charing Cross Branch, Furniture, &c.				414	8	9
	£5,428,855	12	0					£5,428,855	12	0

PROFIT AND LOSS ACCOUNT FOR THE HALF-YEAR ENDING JUNE 30, 1864.

Dr.	£.	s.	d.	*Cr.*	£	s.	d.	£	s.	d.
To half a year's Current Expenses at Head Office and Charing Cross Branch, Bad and Doubtful Debts, Directors' Remuneration, &c.	16,590	11	3	By Balance of Profit brought from last half-year	1,030	7	6			
Rebate of Interest on Bills Discounted not yet due, carried to Profit and Loss *New* Account	11,463	2	10	Ditto for current half-year	86,544	12	10	87,575	0	4
Charing Cross Branch Lease Account	200	0	0							
Dividend for the half year at the rate of £10 per cent. per annum	15,000	0	0							
Bonus at the rate of 10 per cent. per annum, or £2 10*s.* per share	15,000	0	0							
Half-year's Interest on the Reserve Fund at £4 per cent. per annum £2,240 0 0										
Amount now added thereto 15,760 0 0	18,000	0	0							
Balance carried to Profit and Loss New Account	11,321	6	3							
	£87,575	0	4					£87,575	0	4

RESERVE FUND ACCOUNT.

Dr.	£	s.	d.	*Cr.*	£	s.	d.
To Balance	£130,000	0	0	By Amount from last half-year	£112,000	0	0
				Additions brought down	18,000	0	0
					£130,000	0	0

We have examined the above Accounts and find them correct, July 14th, 1864.

GEO. THOMSON,
ALFRED LAMB,
GEORGE BONE, } *Auditors.*

It was *resolved unanimously*,—That the Report now read be received.

The Chairman announced that the dividend and bonus would be payable on and after Wednesday, the 27th July, at the Head Office, in Threadneedle-street.

It was *resolved unanimously*.—That Charles Joyce, Esq., Henry Morris, Esq., and Robert Porter, Esq., be re-elected Directors of the Bank.

It was *resolved unanimously*,—That George Bone, Esq., George Thomson, Esq., and Alfred Lamb, Esq., be re-elected Auditors for the year ensuing.

It was *resolved unanimously*,—That the best thanks of the meeting are due and hereby tendered to the Directors for their successful management.

That the cordial thanks of the shareholders be given to the Manager, Mr. Marshall, the Sub-Manager, Mr. Allen, and the other officers of the Bank, for the able manner in which the business of the Bank is conducted.

Extracted from the Minutes.

JOHN VILLIERS SHELLEY, *Chairman.*
C. J. H. ALLEN, *Secretary and Sub-Manager.*

Threadneedle Street, July 20th, 1864.

TERMS OF BUSINESS.

Current or Drawing Accounts will be made up to the 30th of June and 31st of December in each year; and if the credit balance shall not at any time during the half-year have been below £500, interest at the rate of 2 per cent. per annum will be allowed on the minimum monthly balances. If not below 200, interest at the rate of 1 per cent. per annum will be allowed on the minimum monthly balances; but if under £200, no interest will be allowed.

Deposit Accounts.—The rate of interest allowed on money placed on deposit at seven days' notice of withdrawal is regulated by the market value of money, as announced by this Bank, from time to time, by public advertisement.

The Agency of Country and Foreign Banks, whether Joint-Stock or Private, is undertaken.

Circular Notes and Letters of Credit, free of charge, are issued, payable by the correspondent of the Bank in every city and town of importance in all quarters of the globe.

Purchases and Sales of Stock, Shares, and other Securities effected on the usual charges.

Dividends received for customers without charge.

M. MARSHALL, Jun., *Manager.*

THE NATIONAL BANK.

ESTABLISHED 1835.

Capital Subscribed, £2,000,000. *Paid-up*, £900,000. *Rest or Undivided Profits*, £718,741.

DIRECTORS.

JAMES ALLAN, ESQ.
GEORGE ASHLIN, ESQ.
JEREMIAH DUNNE, ESQ.
B. H. HARTLEY, ESQ.
F. B. HENSHAW, ESQ.
Sir RALPH HOWARD, Bart.
THOMAS W. KOUGH, ESQ.
HARVEY LEWIS, ESQ., M.P.
J. N. MCKENNA, ESQ.
JOHN O'MEARA, ESQ.
ALBERT RICARDO, ESQ.
ROWAND RONALD, ESQ.
J. BOGLE SMITH, ESQ.
EDMUND SMITHWICK, ESQ,
M. USBORNE, ESQ.
PHILIP VANDERBYL, ESQ.

TRUSTEES.

FRASER BRADSHAW HENSHAW, ESQ. | BARTHOLOMEW HEPENSTAL HARTLEY, ESQ.
PHILIP VANDERBYL, ESQ.

INSPECTORS OF BRANCHES.

JAMES COSTELLO (Public Officer).
EDWARD JAMES MILLS.
PATRICK JOSEPH KIRWAN (Assistant Inspector).
RICHARD FENNELLY (Assistant Inspector).

SECRETARY.—MICHAEL JOSEPH POWER.

HEAD OFFICE, 13, OLD BROAD STREFT, E.C.

JOHN PARKER, Manager and Public Officer.—W. F. INGELOW, Sub-Manager.

METROPOLITAN BRANCHES.

BAYSWATER BRANCH, 19, Gloucester Gardens—B. R. Ronald, *Manager*.
CAMDEN TOWN (Temporary Offices), 112, High Street—E. A. Chaston, *Manager*.
CHARING CROSS (Temporary Offices), 47, Charing Cross—John Clark, *Manager*.
PIMLICO, 4, Arabella Row—P. R. Derriman, *Manager*.
OXFORD STREET, 23, Old Cavendish Street—Horace Hope Bloxham, *Manager*.

DUBLIN OFFICE, 34, COLLEGE GREEN.

G. F. HARDY, Manager.—C. E. MCKENNA, Sub-Manager.

BRANCHES.	MANAGERS.
ATHLONE	James Henry Brown.
ATHY	James Fitzgerald Egan.
BALLINA	James Jackson.
BALLINASLOE	Francis O'Flaherty.
BALLYMAHON	J. W. R. Watson.
BELFAST	Geo. Gardiner.
BOYLE	Edward Hyor.
CARLOW	James Palmer.
CARRICKMACROSS	John Fitzmaurice.
CARRICK-ON-SUIR	David Kent Commins.
CASHEL	Henry Newport Barron.
CASTLEREA	James Mahony.
CHARLEVILLE	Daniel Clanchy.
CLONAKILTY	Nicholas Wm. Roche.
CLONMEL	James Gill.
CORK	John D. Carnegie.
DUNDALK	Michael Comyn.
DUNGARVAN	Francis Sheehan.
ENNIS	John Harnett Milward.
ENNISCORTHY	William A. Mahony.
FERMOY	James Morrogh.
GALWAY	Frederick Dennis.
KANTURK	Edward Shanly.
KELLS	Edmund O'Beirne.
KILKENNY	James Morris.
KILLARNEY	Charles Brennan.
KILRUSH	Matthew Kelly.
KINGSTOWN	Thomas Quill.
LIMERICK	Richard Fade Goff.
LISMORE	Albert Miniken.
LISTOWEL	William O'Driscoll.
LONGFORD	Thomas John McMahon
LOUGHREA	Jeremiah O'Leary.
MACROOM	J. Carnegie Campbell.
MALLOW	Edward Lloyd.
MIDLETON	Edmund S. Coppinger.
MITCHELSTOWN	Edward O'Brien.
MOATE	Joseph Tenison Collins.
MOUNTMELLICK	Richard Carroll.
MULLINGAR	John Harnett Vize.
NENAGH	John Devitt.
NEWCASTLE Co. LIMERICK.	William Esmonde Kearney.
NEW ROSS	John Singleton Darling.
RATHKEALE	Robert Francis Kennedy
ROSCOMMON	John Michael McCarthy
ROSCREA	Ambrose Hayes.
THURLES	Robert Crofts Bullen.
TIPPERARY	Francis John Power
TRALEE	James O'Connor.
TUAM	George Hargrove.
WATERFORD	James Feely.
WEXFORD	James Kennedy.
WICKLOW	Alexander Stewart.

REPORT OF THE DIRECTORS

For the Half-year ending the 30th June, 1864.

The Directors of the National Bank have much pleasure in presenting to the proprietors their Report of the state of the Society made up to the 30th June, 1864.

This statement is the first of a series of half-yearly Reports to be issued in accordance with Resolutions of the proprietors passed at the Special General Meetings held on 5th and 6th July instant.

The Report of the Directors for the year 1863, issued so lately as the 24th May last, and the address from the Chair at the last Annual General Meeting, have placed the proprietors fully in possession of the proceedings of the Bank up to that date.

The following accounts in the usual form will supply the shareholders with the actual results of the half-year's operations.

[See page 428.]

By these accounts the proprietors will observe that, in addition to the £500,000 profit on the issue of new shares, the net ordinary profits of the Bank for the half-year to the 30th June amounted to £89,567 1*s.* In estimating the progress of the Bank, this sum has to be compared with a profit of £49,067 15*s.* 10*d.*, which was the amount earned for the corresponding half-year of 1863.

The Directors have however declared their Ordinary and Extraordinary dividends at the same rates as on the last occasion, feeling that, until the new and old shares shall stand paid up to an equal amount, viz., £30 per share, it will be more equitable to accumulate in the Reserve Fund the amount of profits realised in excess of the rates of dividends latterly paid.

For the half-year ending the 30th June the dividend on the old shares is therefore declared at the rate of 8 per cent. per annum, with an extra dividend of 16*s.* per share, making together £2 per share for the half-year, and the dividend on the new shares is declared in gross at 6*s.* 8*d.* per share, the dividends on both being free of Income-tax.

The increase to the Rest or undivided profits (including the premium on new shares) will, therefore, after the payment of these dividends, amount on the half-year to £542,900 7*s.* 8*d.*

On the 18th instant the Directors opened their fourth Metropolitan Branch, at Pimlico.

They have also taken premises at Belfast, and will open in that important town in a few weeks.

The next Annual General Meeting of the Bank, conformably to the resolutions of the Special General Meetings of the 5th and 6th instant, will be held on Tuesday, the 31st January, 1865. The Directors hope then to announce to the proprietors an equally satisfactory state of affairs, as there is ample evidence of the growing appreciation by the public and the customers of the Bank of the policy whereby this Institution has expanded its capital and permanent resources in an equal ratio with its general liabilities, and to an extent proportionate to the business it undertakes to conduct.

The dividends and extra dividends, free of Income-tax, will be payable at the Head Office, 13, Old Broad Street, E.C., and at the several branches of the Bank, on and after Monday, the 8th August next.

Approved by the Court.

26th July, 1864. George Ashlin, *Chairman.*

THE NATIONAL BANK.—ASSETS AND LIABILITIES, JUNE 30TH, 1864.

Dr. ASSETS.	£	s.	d.
Gold and Silver Coin at Branches	574,523	6	0
Cash on hand at the Bank of England, advances on Bullion, and at call	1,365,817	9	5
Government Funds, Exchequer Bills, Exchequer Bonds, and Debentures	225,948	17	2
Advances on Government Stock, and Sundry Secured Loans at short dates and Current Accounts	1,167,944	2	10
Bills Discounted	3,431,845	17	3
Bank Premises, London and Branches	98,556	2	10
	£6,864,635	15	6

LIABILITIES. *Cr.*	£	s.	d.
Paid-up Capital	700,000	0	0
Notes in Circulation	1,161,877	5	0
Due by the Bank on Deposit Receipts, Current Accounts, &c.	4,284,016	12	8
Rest or Undivided Profits at this date	718,741	17	10
	£6,864,635	15	6

PROFIT AND LOSS ACCOUNT OF THE NATIONAL BANK, FOR THE HALF-YEAR ENDING 30TH JUNE, 1864.

Dr. 1864.	£	s.	d.
Feb. To half-year's dividend at 8 per cent. per annum on 20,000 Shares, £30 paid	24,000	0	0
To extra Dividend of 16*s.* per share on ditto	16,000	0	0
June 30. To Balance at credit of Profit and Loss at this date	718, 741	17	10
	£758,741	17	10

Cr.	£	s.	d.	£	s.	d.
By Balance, being— Rest or Undivided Profits at Dec., 1863				169,174	16	10
By Net Profit for the half-year to 30th June, 1864, after writing off all Bad, and providing for Doubtful Debts	109,728	1	0			
Less Rebate of Interest on Bills not due	20,161	0	0			
				89,567	1	0
Premium of £25 per Share on 20,000 Shares, issued agreeably to Resolutions of the 23rd and 24th March, 1864				500,000	0	0
				£758,741	17	10

THE NATIONAL BANK.

ESTABLISHED 1835.

HEAD OFFICE, 13, OLD BROAD STREET, E.C.
JOHN PARKER, Manager and Public Officer.—W. F. INGELOW, Sub-Manager.

METROPOLITAN BRANCHES.

BAYSWATER; 19, Gloucester Gardens—B. R. Ronald, *Manager.*
CAMDEN TOWN (Temporary Offices); 112, High Street—E. A. Chaston, *Manager.*
CHARING CROSS (Temporary Offices); 47, Charing Cross—John Clark, *Manager.*
PIMLICO, 4, Arabella Row—P. R. Derriman, *Manager.*

Current Accounts are made up to the 30th June, and the 31st December in each year. Parties keeping current accounts may have approved bills discounted, and can obtain loans upon negotiable securities, or on depositing bills, coupons, &c., for collection.

Deposit Accounts.—Money, in sums of £20 and upwards, is received from the public generally, subject to seven days' notice of withdrawal, and interest is allowed thereon, at the current rate of the day. Persons having current accounts can transfer any portion of their credit balance to deposit account.

The Agency of Country banks, Joint Stock, or Private, is undertaken by the Bank.

Letters of Credit, payable at the chief commercial towns and cities of the world, are granted.

Circular Notes are issued by the Bank, addressed to all and payable at any of the places on the Continent where the Bank has an Agent.

Dividends, &c. on Government and other stocks, annuities, pensions, &c., are received for customers of the Bank without charge; the purchase and sale of stocks, shares, and securities, are also carried out for customers, and every description of banking business transacted.

London, 26*th July*, 1864. M. J. POWER, *Secretary.*

FOURTH REPORT

OF

THE ALLIANCE BANK (LIMITED).

At a General Meeting of the Shareholders, held at the London Tavern, on Friday, the 22nd July, 1864,

The following Report was presented:—

In presenting to the shareholders the Fourth Half-yearly Report of the business of the Bank, the Directors have the pleasure to state that the net profits for the half-year ending the 30th ultimo, amount to £62,397 2*s.* 5*d.*, which with £6,933 12*s.* 4*d.* available from the previous half-year, makes a net balance of £69,330 14*s.* 9*d.*, being upwards of 22 per cent. on the capital—for the time it has been paid up—after defraying current expenses, and making ample provision for all bad and doubtful debts.

This balance the Directors propose to appropriate as follows:—

£31,250	0	0	In payment of a dividend of 10 per cent. per annum on the paid-up capital of the Company in the proportion in which it has been called up, viz.:— 25*s.* per Share on the 20,000 Original Shares. 12*s.* 6*d.* per Share on the 10,000 New Shares.
1,500	0	0	In reduction of Preliminary Expenses and Building Account.
30,000	0	0	To Reserve Fund, thereby raising that Fund to £84,000.
6,580	14	9	To Profit and Loss Account of the current half-year.
£69,330	14	9	

The accompanying balance sheet and profit and loss account, as compared with those of December last, exhibit satisfactory evidence of the progress of the Bank; and the Directors feel that they may justly congratulate the shareholders on the results of little more than two years' working.

Looking at the rapid increase of the business of the Bank, and having due regard to the requirements of the branch successfully established in Manchester, the Directors have resolved to recommend the immediate increase of the capital of the Company to Four Millions, by the issue of 10,000 additional shares in the manner set forth in their Circular addressed to the shareholders of the 16th instant.

Captain Mangles and Septimus Ledward, Esq., have retired from the direction, and J. B. Bevington, Esq., has been appointed in place of Captain Mangles, subject to confirmation by the Shareholders at this Meeting.

A local committee having been deemed desirable for the Manchester Branch, Robert Rumney, Esq., Abel Heywood, Esq., and Joseph Fildes, Esq., have been selected as Directors to form such committee, and those gentlemen are proposed accordingly to the shareholders for election.

Ingram Chapman, Esq., John Bloxam Elin, Esq., Louis Gruning, Esq., and William Keates, Esq., are the Directors who retire by rotation, and being eligible for

re-election, they (with the exception of Louis Gruning, Esq.) offer themselves accordingly.

The Auditors, Messrs. G. H. Jay and H. W. Banner likewise retire, and offer themselves for re-election.

N.B.—The Dividend Warrants will be sent by post to each shareholder as soon as possible after the Meeting.

The Secretary having read the advertisement convening the Meeting,

The " Register of Transfers " was authenticated by impressing thereupon the Common Seal of the Company.

The Report and Accounts having been taken as read,

It was proposed by the Chairman, seconded by the Deputy-Chairman, and resolved unanimously,—That the Report and Accounts be received and adopted.

The Chairman then declared a dividend at the rate of £10 per cent. per annum, free of Income-tax, for the half-year ending 30th June last.

It was proposed by the Chairman, and resolved,—That the election of J. B. Bevington, Esq., as a Director, be, and it is hereby confirmed.

That Robert Rumney, Esq., Abel Heywood, Esq., and Joseph Fildes, Esq., be, and they are hereby elected, Directors of the Company.

That Ingram Chapman, Esq., John Bloxam Elin, Esq., and William Keates, Esq., who retire by rotation, be, and they are hereby elected, Directors of the Company.

That Messrs. H. W. Banner and G. H. Jay, be re-elected Auditors of the Company.

That the remuneration of the Auditors be increased from £100 to £200 per annum each.

It was proposed by Mr. Nelson, seconded by Mr. Isenberg, and resolved.—That the remuneration of the Directors for the current year, commencing the 30th June last, be £5,000.

It was moved by Mr. de Pass, seconded by Mr. James McMaster, and resolved unanimously,—That the best thanks of the shareholders be given to the Directors for their attention to the affairs of the Company during the past half-year.

It was proposed by the Chairman, and resolved,—That the thanks of the Directors and Shareholders be given to Mr. Thomson, and to the other Managers and Officers of the Company, for their able services.

(Signed) J. N. Daniell, *Chairman.*

Extracted from the Minutes.

Ellis Clowes, *Secretary.*

THE ALLIANCE BANK, LIMITED.

Balance Sheet, 30th June, 1864.

Dr.				*Cr.*			
		£ s. d.				£ s. d.	
To Capital paid up		692,725 0 0		By Cash in hand, at Bank of England, and at Call		555,232 9 11	
To Amount due to Customers on Current, Deposit and other Accounts, Circular Notes, Letters of Credit, &c.		6,065,889 15 3		By Investment in Consols		54,489 10 0	
To Reserve Fund		54,000 0 0		By Bills Discounted, Loans to Customers, &c.		6,238,778 0 11	
To Rebate Account		20,778 19 6		By Buildings, Furniture, Bank Fittings, &c., in London, Southwark, Liverpool, Manchester and Birkenhead		44,564 4 0	
To Profit and Loss Balance, 31st Dec., 1863	£8,933 12 4			By Preliminary Expenses		9,660 4 8	
Less Directors' Remuneration for six months, ending 31st Dec., 1863	2,000 0 0						
		6,933 12 4					
To Net Profit for half-year ending 30th June, 1864		62,397 2 5					
			69,330 14 9				
		£6,902,724 9 6				£6,902,724 9 6	

PROFIT AND LOSS ACCOUNT.

		£ s. d.			£ s. d.
To Current Expenses, including salaries, Stationery, provision for Bad Debts, &c.		23,457 8 5		By Gross Profits for half-year ending 30th June, 1864	156,470 15 7
To Directors' Remuneration for half-year ending 30th June, 1864		2,000 0 0		By Bal., 31st Dec. 1863	8,933 12 4
To Interest on Current and Deposit Accounts		47,837 5 3		Less Directors' Remuneration for half-year ending 31st Dec. 1863	2,000 0 0
To Rebate on Bills Discounted not yet due		20,778 19 6			6,933 12 4
To Dividend Account for payment of Dividend of £1 5*s.* per Share on 20,000 Shares	£25,000 0 0				
To ditto for payment of Dividend of 12*s.* 6*d.* per Share on 10,000 Shares	6,250 0 0				
To Amount carried to Reserve Fund	30,000 0 0				
To Amount written off Preliminary Expenses and Building Account	1,500 0 0				
To Balance carried to Profit and Loss new Account	6,580 14 9				
		69,330 14 9			
		£163,404 7 11			£163,404 7 11

RESERVE FUND.

	£ s. d.		£ s. d.
To Balance carried down	84,000 0 0	By Balance, 31st December, 1863	54,000 0 0
		By Amount transferred as above	30,000 0 0
	£84,000 0 0		£84,000 0 0
		By Balance brought down	£84,000 0 0

We have examined and audited the above accounts, and find them correct.

GEO. H. JAY,
HARMOOD W. BANNER, } *Auditors.*

THE ALLIANCE BANK, LIMITED,

5 LOTHBURY, LONDON, AND BROWN'S BUILDINGS, LIVERPOOL.

BRANCHES.

SOUTHWARK—BOROUGH HIGH STREET.
BIRKENHEAD—48, HAMILTON SQUARE.
MANCHESTER—75, KING STREET.

Subscribed Capital, £4,000,000.—*Paid-up Capital*, £850,000.—
Reserve Fund, £280,000.

DIRECTORS.

JAMES NUGENT DANIELL, ESQ., CHAIRMAN.
JOHN GRANT MORRIS, ESQ., DEPUTY CHAIRMAN.

JAMES BUCKINGHAM BEVINGTON, ESQ., Neckinger Mills, Bermondsey.
ALFRED CASTELLAIN, ESQ. (Messrs. Frederick Huth and Co), Liverpool.
INGRAM CHAPMAN, ESQ., 6, Austin Friars, London, Director of the London and Provincial Marine Insurance Company.
J. H. REYNELL DE CASTRO, ESQ., 74, Cannon Street, London, E.C.
JOHN BLOXAM ELIN, ESQ., 34, Abchurch Lane, London, E.C. (Director of the Union Bank of Australia).
JOSEPH FILDES, ESQ., Manchester.
ABEL HEYWOOD, ESQ., Ex-Mayor of Manchester.
JAMES HOUGHTON, ESQ., Liverpool.
WILLIAM KEATES, ESQ. (Messrs. Newton, Keates, and Co.), Liverpool.
JOHN PATERSON, ESQ. (Messrs. Paterson, Kemp, and Co.), Mark Lane, London.
GEORGE PALMER ROBINSON, ESQ., 52, Threadneedle Street, London, Director of the Chartered Mercantile Bank of India, London, and China.
ROBERT RUMNEY, ESQ., Manchester.
THOMAS STENHOUSE, ESQ., 15, Cannon Street West, London.
JOHN TORRANCE, ESQ., 5, Chester Place, Hyde Park Square, London.

Manager in London.—ALEXANDER THOMSON.
Deputy Manager „ U. MILLER.
Manager in Southwark.—E. S. PARKES.
Manager in Liverpool.—JAMES BECKETT.
Deputy Manager „ F. W. BLOXAM.
Manager in Birkenhead.—W. E. HINDE.
Manager in Manchester.—JOHN MILLS.

SOLICITORS.

London.—Messrs. CROSLEY & BURN.
„ FLUX & ARGLES.
Liverpool.—Messrs. FLETCHER & HULL.

BROKERS.

London.—Messrs. J. & J. WHITEHEAD, 8, Moorgate Street.
Liverpool.—Messrs. G. & T. IRVINE.

SECRETARY.—ELLIS CLOWES.

TERMS OF BUSINESS.

Current Accounts opened in London, in accordance with the prevailing custom of similar establishments; and in Liverpool, Birkenhead, and Manchester, on terms which will conform thereto as closely as may be practicable. If the balance shall not at any time during the half-year have been below £500, interest at the rate of 2 per cent. per annum will be allowed on the minimum monthly balances. If not below £200, interest at the rate of 1 per cent. per annum will be allowed on the minimum monthly balances. If below £200, no interest will be allowed.

Deposits received at the current rate of interest in sums of £10 and upwards on the usual terms.

No charge will be made for collecting country cheques.

Agencies of foreign and country banks undertaken, purchases and sales of stocks, shares, and other securities effected, dividends thereon received, coupons collected or negotiated, and every other description of banking business transacted.

To parties keeping accounts with the Bank, the utmost facilities will be afforded for the transmission of money between its offices, also for the payment or receipt of money either in London or Liverpool in exchange for Stock, Shares, &c.

Circular Notes and Letters of Credit issued to all parts of Europe and elsewhere.

THE IMPERIAL BANK (LIMITED).

6, Lothbury, E.C.

Capital, 3,000,000.

DIRECTORS.

Henri L. Bischoffsheim, Esq. (firm of Bischoffsheim & Goldschmidt), 10, Angel Court.
John Alfred Chowne, Esq. (Director of the Northern Railway of Canada), 153, Westbourne Terrace.
James Dickson, Esq. (firm of Lenox, Nephew & Co.), 16, New Broad Street.
Robert Diggles, Esq. (Director of the Bank of Egypt), Cheshunt.
Samuel B. Edenborough, Esq. (firm of S. B. Edenborough & Co), Moorgate-street Buildings.
Alex. Lang Elder, Esq. (Director of the English, Scottish, and Australian Bank), Fenchurch-street Buildings.
Michael Hall, Esq. (firm of Greenwell and Hall), 20, East India Chambers.
Robert How, Esq. (firm of Walker, How, and Co.), Sydney, and No. 8, Cannon Street.
Andrew Lusk, Esq. (firm of A. Lusk & Co.), 62, Fenchurch Street.
William Murdoch Esq. (firm of W. & C. Murdoch), Halifax, N. S., and 2, Lancaster Gate, Upper Hyde park Gardens.
A. P. Petrocochino, Esq. (firm of Rodocanachi, Sons & Co.), 26, Finsbury Circus.
Robert S. Price, Esq., 5, Gresham Street, and Clifton Gardens.
Antonio Ralli, Esq. (firm of A. A. Ralli & Co.), Gracechurch Street.
P. C. Ralli, Esq., 3, Blomfield Street, Finsbury.
David Stern, Esq. (firm of Stern Brothers), 6, Angel Court.
William Tabor, Esq. (firm of Tabor & Trego), Chairman of the Gresham Life Assurance Company.
Wm. Gordon Thomson, Esq., 14, Clifton-Gardens, Hyde Park.
Joseph Underwood, Esq. (firm of Hills & Underwood), 25, Eastcheap.
Edmund Westby, Esq. (Director of the Bank of Victoria), 24, Portland Place.

SOLICITORS.

Messrs. Desborough, Young, and Desborough, 6, Sise Lane, Bucklersbury.

BROKERS.

Messrs. Hope, Dodgson, and Co., 26, Royal Exchange.

Current accounts opened with all persons properly introduced.

Interest is allowed at the rate of 2 per cent. per annum on current accounts on the minimum monthly balances if the credit balance has not at any time during the half-year been below 500*l.*, and at the rate of 1 per cent. per annum if not below 200*l.*

The Bank receives money on deposit at call, or for fixed periods at interest to be agreed upon.

Money on deposit from parties not being customers is received in sums of 10*l.* and upwards, on which interest is allowed.

Investments in, and sales of, all descriptions of British and Foreign Securities, etc., effected.

Circular Notes and Letters of Credit issued to all parts of the world.

The Agency of Country and Foreign Banks is undertaken.

The Bank takes charge of Securities for parties keeping current accounts, and receives dividends on English and Foreign Funds, on Railway and other Shares, and Debentures payable in the United Kingdom without charge.

Every other description of banking business transacted.

No fee or gratuity received by the clerks of the Bank.

ROBERT ALEXANDER BENTHAM,
General Manager.

London, April, 1864.

METROPOLITAN AND PROVINCIAL BANK

(LIMITED).

Report of the Directors, presented to the Shareholders, at the Fifth Ordinary Meeting, held at the London Tavern, Bishopsgate Street, on Tuesday, the 19th July, 1864.

CHARLES GILPIN, Esq., M.P., in the Chair.

The Directors beg to present to the shareholders a statement of the accounts of the Bank for the half-year ending the 30th June, showing after the payment of interest on deposit and current accounts an available profit of £58,016 10*s.* 9*d.* Of this sum £31,000 have been received as premium on the new issue of shares, the whole of which, together with £3000 from the ordinary profits of the half-year, your Directors have added to the Reserved Fund, which now amounts to £40,000.

Consequent on the satisfactory progress of the Bank, the Directors have the pleasure to recommend a dividend on the old shares, at the rate of £6 per cent. per annum, and a bonus of 3*s.* per share (being equal to 7½ per cent. per annum), and the payment of interest on the new shares also at the rate of 7½ per cent. per annum, all free of Income-tax.

After the payment of such dividend, bonus, and interest,—the addition to the Reserved Fund—the current expenses of the half-year,—and writing off to the fullest extent every bad and doubtful debt, and the proportion of preliminary expenses, a balance of £4,789 9*s.* 6*d.* remains to be carried forward to the credit of the profit and loss new account for the current half-year.

In February last, on the invitation of the Directors, the following gentlemen accepted seats at the Board, subject to the approval of the shareholders at this meeting, viz.:—Xenophon Balli, Esq., merchant, Winchester Buildings; John George Homère, Esq., merchant, Gresham House; and Michael Zarifi, Esq. (of the firm of Zarifi, Brothers and Co., merchants), Winchester Buildings; and the confirmation of these appointments is now recommended.

METROPOLITAN AND PROVINCIAL BANK (LIMITED).

STATEMENT OF ACCOUNTS, JUNE 30TH, 1864.

Dr. LIABILITIES.		£	s.	d.
To Capital Account:—				
13,000 Shares £20 paid	£260,000			
7,000 Shares £5 paid (May 2nd)	£35,000			
		295,000	0	0
Reserved Fund Account		6,000	0	0
Amount due by the Bank on Current, Deposit, and other Accounts		1,060,688	12	4
Surplus profit last Half-year	£1,874 6 11			
Balance of Profit and Loss present Half-year (after paying interest on Current and Deposit Accounts)	56,142 3 10			
		58,016	10	9
		£1,419,705	3	1

Cr. ASSETS.	£	s.	d.
By Investments:—			
Consols, East India Debentures, City Bonds, &c.	58,191	5	0
Bills Discounted, Loans, &c.	1,192,934	16	1
Freehold and Leasehold Property, Furniture, Bank Fittings (Head Office and Branches), and Preliminary Expenses	22,559	6	2
Cash in hand and at Call (Head Office and Branches)	146,019	15	10
	£1,419,705	3	1

PROFIT AND LOSS ACCOUNT, JUNE 30TH, 1864.

Dr.		£	s.	d.
To Current Expenses, including Salaries, Rent, Stationery (Head Office and Branches), Directors' Remuneration, Bad Debts, &c.		8,115	1	3
Amount written off Preliminary Expense Account		925	0	0
Payment of Dividend at the rate of 6 per cent. per annum on 13,000 Shares	£7,800 0 0			
Bonus on ditto at 3*s.* per Share	1,950 0 0			
Interest at the rate of 7½ per cent. per annum on 7,000 New Shares	437 0 0			
		10,187	0	0
Reserved Fund—				
Premium on New Shares	31,000 0 0			
From Half-year's Profits	3,000 0 0			
		34,000	0	0
Balance transferred to Profit and Loss (New Account) including rebate of Interest on Bills discounted not yet due		4,789	9	6
		£58,016	10	9

Cr.	£	s.	d
By Balance of Profit and Loss	58,016	10	9
	£58,016	10	9

RESERVED FUND ACCOUNT.

Amount from last Half-year	£ 6,000	
Amount now added	34,000	
		£40,000

Examined and found correct.

July 14th, 1864 HENRY CHATTERIS, ?

Proposed by the Chairman, seconded by James Morrish, Esq., and carried unanimously :—

That the Report and Balance Sheet now read, be received and adopted, and that a dividend for the half-year at the rate of £6 per cent. per annum, and a bonus of 3*s*. per share, be declared on the old shares; and that interest at the rate of 7½ per cent. per annum be paid on the new shares, all free of Income-tax.

Proposed by the Chairman, seconded by James Morrish, Esq., and carried unanimously :—

That the appointment of Xenophon Balli, Esq., merchant, Winchester Buildings; John George Homère, Esq., merchant, Gresham House; and Michael Zarifi, Esq. (of the firm of Zarifi, Brothers and Co., merchants), Winchester Buildings, as Directors of the Bank, be and the same is hereby approved and confirmed.

Proposed by Richard Harris, Esq., seconded by J. T. King, Esq., and carried unanimously :—

That the best thanks of the Proprietors be given to the Chairman and Directors for their attention to the interests of the Bank.

Proposed by Henry Gould, Esq., seconded by Richard Deeley, Esq., and carried unanimously :—

That the best thanks of the proprietors be given to the General Manager, Sub-Manager, Secretary, and other Officers of the Bank, for the efficient manner in which they perform their respective duties.

(Signed) CHARLES GILPIN, *Chairman.*
Extracted from the Minutes. J. POPE COX, *Secretary.*

METROPOLITAN AND PROVINCIAL BANK
(LIMITED).

HEAD OFFICE, 75, CORNHILL, LONDON.

Subscribed Capital, £2,000,000.

DIRECTORS.

CHARLES GILPIN, ESQ., M.P., CHAIRMAN.

XENOPHON BALLI, ESQ.	THOMAS MIERS, ESQ.
R. J. BLYTH, ESQ.	JAMES MORRISH, ESQ.
THOMAS CAMPBELL, ESQ.	FRANCIS NASH, ESQ.
J. G. HOMÈRE, ESQ.	W. EDGCUMBE RENDLE, ESQ.
G. G. KIRBY, ESQ.	T. S. RICHARDSON, ESQ.
J. S. MARGETSON, ESQ.	MICHAEL ZARIFI, ESQ.

GENERAL MANAGER.	SUB-MANAGER.
JOHN BURTON, ESQ.	J. R. GLANVILL, ESQ.

SECRETARY.
J. POPE COX, ESQ.

BRANCHES.

86, Oxford Street, London	Manager	CHARLES KNOCKER, ESQ.
Woolwich	"	J. T. DRAKE, ESQ.
Macclesfield	"	B. PIERPOINT, ESQ.
Hammersmith	"	J. H. Lewis, ESQ.

TERMS OF BUSINESS.

The Bank will—

Receive current accounts, and allow interest at the rate of £2 per cent. per annum, on the minimum monthly balances, if not drawn below £500, and of £1 per cent. per annum, if drawn below £500 and not below £200 :

Receive sums of £10 and upwards on deposits for periods and at interest to be agreed upon :

Discount approved commercial bills :

Issue Circular Notes and Letters of Credit, free of charge, for all parts of Europe and elsewhere :

Effect purchases and sales in British and Foreign stocks, funds, securities, and shares in public companies :

Undertake the agency of Foreign and Country Banks :

Receive interest, dividends, &c., on Government and other stocks, annuities, Pensions, &c. :

And transact every other description of banking business.

JOHN BURTON, *General Manager*.

EAST LONDON BANK (LIMITED).

CHIEF OFFICE, 40, LOMBARD STREET, E.C.

BRANCHES.

31, High Street, Shoreditch.
97, High Street, Whitechapel.
26, Tooley Street, Borough.

Capital, Two Millions (of which one Million has been issued).

BOARD OF DIRECTORS.

Chairman.—Charles Salisbury Butler, Esq., M.P., Chairman of the Commercial Gas Company, and Director of the Kent Water Works Company.
Deputy Chairman.—Charles Capper, Esq., Victoria (London) Docks, 9, Mincing Lane, E.C., Director of the Thames Graving Dock Company.
John George Barry, Esq. (Messrs. Barry Brothers), Meriton's Wharf, Dockhead, S.E.
Richard Bradshaw, Esq., Upper Clapton, N.E.
Thomas Brushfield, Esq., Director of the Commercial Gas Company.
Robert Collum, Esq., Director of the Scottish Union Insurance Company.
James Fennings, Esq. (Messrs. R. L. and J. Fennings), Fennings' Wharf, London Bridge, S.E.
Edward T. Foord, Esq. (Messrs. Barff and Co.), 9, Fenchurch Street, E.C.
Albert Pelly, Esq. (Messrs. Pelly and Co), 18, Finch Lane, E.C.
George Smith, Esq., 86, Great Tower Street, E.C., Deputy Chairman of the Kent Water Works Company.
Cornelius Walford, Esq., Little Park, Enfield, Middlesex.
Thomas White, Esq., (Messrs. White and Price), 57, Mark Lane, E.C., Chairman, Bow Brewery Company.

SOLICITORS.

Messrs. Thomas and Hollams, Mincing Lane, E.C.

GENERAL MANAGER.

Mr. Henry Joseph Latter (from the Bank of England).

BRANCH MANAGERS.

Shoreditch.....Mr. J. W. Duncan (from the London and Westminster Bank).
Whitechapel...Mr. John C. Ralston (formerly of the London and County Bank).
South Eastern .Mr. H. Weston (of the late firm of Weston and Young).

SECRETARY.

Mr. Hurst Daniell.

Terms of Business at Head Office and Branches.

Current Accounts.—Interest allowed half-yearly, at the rate of £2 per cent. per annum on the minimum monthly balance, if not below £500; and at the rate of £1 per cent., if not below £100.

Deposit Accounts.—Sums of £5 and upwards received, and interest allowed at the full current rate.

Special deposits, trust and other accounts will be taken, and a fixed rate of interest allowed for specific periods, if desired.

The Bank undertakes all ordinary banking business, including the collection of notes, cheques, bills, &c., payable in London, and the forwarding for collection, such as are payable in the country.

The Bank will take charge of Exchequer Bills, India Bonds, &c., and will receive and pass the Interest to account.

At the First General Meeting of the Shareholders of the East London Bank, Limited, held at the London Tavern, Bishopsgate Street, on Thursday, the 4th August, 1864.

CHARLES SALISBURY BUTLER, Esq., M.P., in the Chair.

REPORT.

The Directors have pleasure in submitting to the shareholders their First Report and the Accounts, as audited to the 30th June, 1864.

The Bank commenced business at the Temporary Head Office, in Fenchurch Street, on the 16th November last; two of the branches were opened on the first day of the present year, and the third late in the month of January. The gross profits have been £10,576 17*s.* 11*d.*; against this have been charged the current expenses of the Head Office and branches for the half-year amounting to £3,941 4*s.*: interest on current and deposit accounts amounting to £2,037 10*s.* 2*d.*: Rebate calculated at the Bank rate, at the date of making up the accounts, viz., 6 per cent., amounting to £1,640 6*s.* 1*d.*; leaving an available balance of £2,957 17*s.* 8*d.* as certified by the auditors.

The Directors recommend that such balance be appropriated as follows:—

A Dividend at the rate of £5 per cent. per annum for the past half-year, free of Income-tax, on the original capital (£60,000,) which absorbs £1,500. Interest at the same rate, also free of Income-tax, on the new capital (£40,000), from the date of calls to the 30th June, which amounts to £683 6*s.* 8*d.*, leaving a balance (including rebate) to be carried forward to the present half-year of £2,414 17*s.* 1*d.*

The premium of 30*s.* per share on the 8,000 new shares, amounting to £12,000 has in accordance with the circular of 26th December last, been appropriated to the formation of a Reserved Fund, and is now invested in £13,296 8*s.* Consols.

The temporary premises first taken for the Head Office were found to be too far removed from the centre of banking operations. Premises have now been secured in Cornhill for the permanent Head Office, and will be occupied as soon as the requisite alterations are made.

The Directors record with satisfaction the efficiency of the Staff, from the General Manager downwards.

According to the Articles of Association, auditors will have to be elected at the present meeting, one of whom must be a professional Accountant.

The Directors will submit to the meeting, for confirmation, the Resolution of the Board increasing the capital of the Company from £1,000,000 to £2,000,000.

In congratulating the shareholders upon the progress of the Bank, which cannot be regarded otherwise than as highly satisfactory, the Directors would impress upon them the importance of their continued active co-operation in the introduction of additional current and deposit accounts. The success of a Bank depends upon its good management and the personal and energetic support of those who benefit by its prosperity.

C. S. BUTLER, *Chairman.*

Dated 26th July, 1864.

EAST LONDON BANK (Limited).

GENERAL BALANCE SHEET, 30th JUNE, 1864.

Dr. CAPITAL, LIABILITIES, &c.	£ s. d.	£ s. d.
To Capital—		
Authorized, in 12,000 shares of £50 each, with power to increase	£ 600,000 0 0	
New Issue of 8,000 Shares of £50 each	400,000 0 0	
	£1,000,000 0 0	
£5 per Share paid up on 20,000 Shares		100,000 0 0
Amount due on Current, Deposit, and other accounts		299,700 7 7
Reserve Fund		12,000 0 0
Rebate of Interest on Current Bills	£1,640 6 1	
Profit and Loss Account—Net Profit, as per Statement	2,957 17 8	
		4,598 3 9
		£416,298 11 4

Cr. ASSETS, &c.	£ s. d.
By Cash at Bank of England, in hand and at call	137,042 8 6
Bills Discounted, Loans, &c.	235,082 15 1
Investments (£13,296 8*s*. Consols)	12,000 0 0
Bank Premises, Furniture, Fittings, &c.	24,704 14 3
Preliminary Expenses	7,468 13 6
	£416,298 11 4

PROFIT AND LOSS ACCOUNT from 16th November, 1863, to 30th June, 1864.

Dr.	£ s. d.
To General Charges at Head Office and Branches for the past half-year	3,941 4 0
Interest paid and due on Current and Deposit Accounts	2,037 10 2
Reserve Fund	12,000 0 0
Rebate of Interest on Current Bills at 6 per cent.	1,640 6 1
Balance, being Net profit to 30th June, 1864	2,957 17 8
	£22,576 17 11

Cr.	£ s. d.
By Gross Profit to 30th June, 1864	10,576 17 11
Premium on 8,000 New Shares issued, at 30*s*. per share	12,000 0 0
	£22,576 17 11

Audited and approved,

COLEMAN, TURQUAND, YOUNGS and Co.,
CHADWICK, ADAMSON, M'KENNA and Co., } Auditors.

London, 27*th July*, 1864.

C. CAPPER,
CORNELIUS WALFORD,
JAMES FENNINGS, } Directors.

The foregoing Report having been taken as read,

On the motion of the Chairman, seconded by the Deputy-Chairman, it was resolved and carried unanimously:

That the report and accounts as rendered by the Directors be received and approved.

On the motion of the Chairman, seconded by Thomas White, Esq.,—

It was resolved—That a dividend at and after the rate of 5 per cent. per annum, free from income tax, for the half-year ending the 30th June, 1864, be declared in respect of the original shares of the Company, and that interest after the same rate, by way of dividend, be paid on the new shares, to be calculated from the dates of the calls thereon to the 30th June, 1864, and that such dividends be payable on and after the 15th August to all such persons as are holders of the shares on the 4th August, 1864.

It was moved by C. Walford, Esq., seconded by E. Nash, Esq., and carried unanimously, that the following resolution of the Board be confirmed,—

Resolved unanimously—That this Board do hereby, in pursuance of the articles of association, increase the capital of the Company from one million to two millions; but that such additional capital shall not be issued during the present year, except under special circumstances.

On the motion of A. R. Bristow, Esq., M,P., seconded by Jno. C. Conner, Esq.,—

It was resolved—That Edward Hunter, Esq., be one of the Auditors of the Company.

On the motion of George Heiron, Esq., seconded by A. R. Bristow, Esq., M.P.,—

It was resolved—That J. H. Gordon, Esq., be one of the Auditors of the Company.

On the motion of A. R. Bristow, Esq., M.P., seconded by J. R. Hunter, Esq.,—

It was resolved—That Jno. Young, Esq., of the firm of Coleman, Turquand, Youngs, and Co., be one of the Auditors of the Company.

Resolved—That the sum of 50 guineas be paid to the past Auditors of the Company for their services.

It was moved by A. R. Bristow, Esq., M.P., and seconded by John Ollier, Esq., and resolved unanimously,—

That the best thanks of this meeting be given to Charles Salisbury Butler, Esq., M.P., the Chairman, and to the Board of Directors, for the judicious manner in which they have conducted the business of the Company.

Moved by T. D. Hopper, Esq., and seconded by J. L. Hammack, Esq.,—

That the best thanks of the meeting be given to the General Manager, Henry Joseph Latter, Esq., the Sub-manager, Branch Managers, Secretary, and the other Officers of the Bank, for the zealous manner in which they have discharged their duties during the past half-year.

Extracted from the Minutes.

HURST DANIELL, *Secretary*.

40, *Lombard Street, E.C., August* 4, 1864.

The London and Westminster Bank, the London Joint-Stock Bank, and the Union Bank, being the three oldest of the joint-stock banks established in London, we may briefly revert to their formation:—

I.—*The London and Westminster Bank.*

In the Act for renewing the Bank of England Charter, passed in 1833, it was declared to be the law, that companies or partnerships consisting of more than six persons might carry on the business of banking in London. Immediately after the passing of this Act, a prospectus was issued, proposing to form the London and Westminster Bank. The shares, however, were taken up but tardily, and the bank did not commence business until March 10th, 1834, and then only with a paid-up capital of 50,000*l.*, and of this capital a large portion is said to have been subscribed by shareholders who resided in the country.

As the Bank Charter Act did not prescribe the way in which companies of more than six persons were to sue or be sued, the directors of the London and Westminster Bank brought a bill into Parliament, in the session of 1834, to authorise them to sue and be sued in the names of their public officers, in the same manner as those banking companies that were located beyond sixty-five miles from London. This bill was carried by large majorities through the House of Commons, although opposed by the influence of the Bank of England and by Lord Althorp, then Chancellor of the Exchequer. The bill, however, was lost in the Lords. In consequence of this failure, the bank followed the plan of suing and being sued through the medium of trustees.

Previous to the commencement of business, the directors applied to the Committee of Private Bankers for admission to the Clearing-house. This was refused. The directors also applied for permission to have a drawing account at the Bank of England. This, too, was refused.

At the commencement of the year 1835, the Bank of England instituted legal proceedings to prevent the London and Westminster Bank accepting bills drawn at less than six

months after date. Supported, however, by the legal opinions of Sir John Campbell, Sir William Follett, and Mr. Pemberton, the trustees continued to accept such bills, and resisted the proceedings of the Bank of England.

The Bank has branches which are situated in St. James's Square; High Holborn; Wellington Street, Borough; High Street, Whitechapel; Stratford Place, Oxford Street; Strand; and Westminster Bridge Road.

In the beginning of the year 1837, the suit brought by the Bank of England was terminated, by the Master of the Rolls granting an injunction to restrain the London and Westminster Bank from accepting bills at less than six months after date. The country joint-stock banks then adopted the practice of drawing upon the London and Westminster Bank "without acceptance," in the same way as the Bank of Ireland draws upon the Bank of England. No practical difficulty was experienced, and the London and Westminster Bank lost none of its connexions in consequence of this adverse decision. At the end of the year the directors declared the usual dividend of 5 per cent.

In the year 1841, Mr. Gilbart, the general manager, was examined for four days before a Select Committee of the House of Commons, at the request of a meeting of deputies from the joint-stock banks. In the report of March, 1844, we read—"As the speech from the throne has called the attention of Parliament to 'the state of the law with regard to the privileges of the Bank of England and to other banking establishments,' the directors have co-operated with the representatives of other joint-stock banks in bringing under the consideration of the Government the defects of the laws relating to banking companies which they feel confident the Legislature will not refuse to remedy." In this year the bank obtained the power to draw, accept, or endorse any bills of exchange not payable to bearer on demand; and immediately commenced accepting the bills drawn by its country connexions; and issuing circular letters of credit for the use of travellers and residents on the Continent. In the same year the bank obtained the power of suing and being sued in

the names of its public officers, and accordingly registered the names of its trustees for that purpose.

II.—*The London Joint-Stock Bank.*

The Joint-Stock Bank was formed in the year 1836. That year was one of great excitement in favour of the principle of joint-stock banking both in London and in the country. The shares of the new bank were readily taken by a very respectable proprietary, most of whom were resident in London. The bank had also from its commencement the advantage of an influential commercial directory. A new feature in London banking was announced. The bank agreed to allow interest at 2 per cent. on the minimum balance of a current account. At the end of each month interest was allowed on the lowest balance that had appeared to the party's credit at the close of any day during the month. Previous to the commencement of business, the bank engaged as manager Mr. George Pollard, who had for many years been the chief clerk in the private bank of Messrs. Williams, Deacon, & Co.

The capital of the bank was fixed at 3,000,000*l.*, divided into 60,000 shares of 50*l.* each.

The bank was opened on the 21st of November, 1836, at temporary offices in Coleman-street. The shares subscribed for, and upon which the deposit of 2*l.* per share had been paid, then exceeded 30,000. Soon afterwards the bank removed to their present premises in Prince's-street.

III.—*The Union Bank of London.*

The Union Bank of London was formed chiefly by gentlemen who were, by birth or otherwise, connected with Scotland. The capital was fixed at 3,000,000*l.*, in 60,000 shares of 50*l.* each.

The bank adopted the principle of allowing 2 per cent. interest on the minimum balance of a current account:—"Parties keeping current or drawing accounts will be credited on the first day of every month, on the smallest balance at the credit of their account at the close of business on any day

during the past month, provided that such balance shall not be less than 100*l.* The total amount of interest will be passed to account every six months."

The bank was opened on the 4th of February, 1839, at No. 8, Moorgate-street; and a branch was opened on the 25th of March following, at temporary offices in Argyle-street, Regent-street, until a bank-house should be erected on the freehold ground which the directors had purchased for that purpose.

Previous to the opening of the bank the directors engaged as general manager, Mr. William Wilson Scrimgeour, one of the principal officers in the discount department of the Bank of England.

The Clearing-house was established about seventy-five years ago, by some of the London bankers, for the purpose of facilitating their exchanges with each other. It was at first by no means generally approved, and some of the principal bankers refused to have recourse to it. After the number of clearing bankers had increased, a committee was formed for its government. This committee is composed of five or six of the leading bankers, and any new bank that desires to have the privilege of clearing must now apply for permission to the committee.

The object the clearing bankers had in view was to exchange bills and cheques against bills and cheques, and thus be enabled to carry on their business with a less amount of capital. But while the bankers endeavoured to promote their own interest, they promoted at the same time the interest of the public. The sums liberated from employment in this way became available for employment in agriculture, manufactures, and commerce. Whenever any banker, therefore, is excluded from the Clearing-house, and is consequently obliged to keep a larger amount of cash in his coffers, his available capital is so far reduced, and thus the agriculture, manufactures, and commerce of the country receive less encouragement.

The establishment of the Clearing-house has led to new arrangements in several branches of business. The stock-brokers, for instance, now settle all their receipts and pay-

ments by cheques, to be paid through the Clearing-house. The cheques a broker draws on his banker are paid at the Clearing-house by cheques of other brokers, which he lodges to his credit. The colonial brokers also, and other classes of commercial men, have fixed days for settling their accounts, and on these days draw cheques on their bankers in the morning, and pay in cheques to meet them at a subsequent part of the day. Thus the institution of the Clearing-house has become entwined with the commerce of the country, and could not be discontinued without deranging every branch of business. It has also received the sanction of the law of the land, the courts of law having decided that the presentment of a bill of exchange at the Clearing-house is a legal presentment. In this case, as in many others, the custom of bankers and merchants has become law. Many of our commercial laws have had the same origin. They have at first been mere regulations established by merchants for their own convenience; these regulations have been adopted by other classes of the community; they have been followed for a number of years; and then the law has recognised them as a portion of the commercial institutions of the country. Such was the origin of allowing three days' grace upon bills of exchange, and such has been the case with the Clearing-house. The Clearing-house is no longer, therefore, a private subscription-room, from which the parties admitted may exclude whomsoever they please at their own caprice. They may exclude improper banking companies, as the Edinburgh banks refuse to exchange with any bank that is not respectable; but they are bound in justice to admit all respectable banks who may apply for admission.

"Another amendment which I would propose as connected with the currency of London, would be a regulation of the Clearing-house by the Legislature. Although the Clearing-house was a voluntary association of bankers at first, yet it has now existed for sixty years, and has become enterwoven with several branches of London trade; it is therefore for all practical purposes a public institution, and, like a market, or any other public institution, might become the subject of

legislative interference. The exclusion of banks in London from the Clearing-house whose capital now amounts to about two millions sterling, and who have about 2,000 partners, is not only a great inconvenience and a great loss to those banks, but is a great inconvenience also to the public in general, and such an interference with the freedom of trade, as carried on by individual companies in London, as alone would justify the interference of the Legislature; and, besides, it is quite unreasonable that an association of omnibus proprietors should be indicted and tried for a conspiracy because they have tried to run a rival omnibus off the road, and yet that a body of bankers may conspire for a similar object without any interference of the Legislature at all."* †

SECTION IV.

THE COUNTRY PRIVATE BANKS.

These banks cannot have more than six partners. They are banks of deposit, of loan, and of discount. As banks of deposit they usually allow interest on both deposits and balances of current accounts, and charge a commission on the amount of the transactions. In commercial or manufacturing districts, their advances are usually made by way of discount; in agricultural districts, frequently by loans. They remit money by issuing bills or letters of credit on London, or they direct their agents to make payments to bankers or other parties resident in London. As banks of circulation, they have at various times occupied a large portion of public attention, and have been the subject of much legislation.

* Evidence of J. W. Gilbart before the Committee on Banks of Issue, March, 1841.

† This exclusion no longer exists; and the increase of capital and partners since the above period may be inferred from the additional Joint-stock Banks which have been subsequently formed, and the numerous holders of shares therein.

Those bankers who wish to issue notes must take out a licence, which will cost 30*l.*, and must be renewed every year. They may re-issue any notes not above the value of 100*l.* as often as they think proper. And should any of the firm die or remove from the business, the notes may be issued by the remaining partners. But they cannot be re-issued by a new firm, which does not include any member belonging to the firm by whom the notes were first issued.

If the half of a note be lost or stolen, a banker cannot be compelled to give a new note in exchange for the remaining half. But if it can be proved that one-half of a note is burnt, or otherwise destroyed, then the holder may perhaps recover the note from the banker.

In such cases, the bankers always pay the value of the note on receiving a respectable indemnity.

Bankers may be compelled to pay whole notes that have been lost or stolen, provided the holder has given actual value for them.

The stamp duty on country notes is as follows:—

	£	s.			£	s.		s.	d.	
Notes not exceeding	1	1	..	..	..		..	0	5	each.
Exceeding ..	1	1	and not exceeding		2	2	..	0	10	,,
Ditto	2	2	,,	,,	5	5	..	1	3	,,
Ditto	5	5	,,	,,	10	0	..	1	9	,,
Ditto	10	0	,,	,,	20	0	..	2	0	,,
Ditto	20	0	,,	,,	30	0	..	3	0	,,
Ditto	30	0	,,	,,	50	0	..	5	0	,,
Ditto	50	0	,,	,,	100	0	..	8	6	,,

Country banks are allowed to compound for the stamp duties on their notes, at the rate of seven shillings per cent. per annum upon the amount in circulation, and to include, on the same terms, their bills drawn on London at twenty-one days after date. But whether a country banker compounds for the stamp duties or not, he must make a return to the Government of the amount of his notes in circulation every Saturday night. These returns are consolidated, and the result published in the *London Gazette.*

The Issue of Bank Notes.

Country bank notes were originally called Goldsmiths' notes —similar notes having been first issued by the goldsmiths of London.

"That part of the business of banking which consists in the borrowing of money, with a view of lending it again at a higher rate of interest, does not appear to have been carried on by bankers until the year 1645, when a new era occurred in the history of banking. The goldsmiths, who were previously only money-changers, now became also money-lenders. They became also money-borrowers, and allowed interest on the sums they borrowed. They were agents for receiving rents. They lent money to the king on the security of the taxes. The receipts they issued for the money lodged at their houses circulated from hand to hand, and were known by the name of 'goldsmiths' notes.' These may be considered as the first kind of bank notes issued in England.

"When our merchants became enriched by commerce, they wished for a place of security in which they might deposit their wealth. Hence they usually sent their money to the Mint, in the Tower of London, which became a sort of bank. The merchants left their money here when they had no occasion for it, and drew it out as they wanted it. But in 1640, King Charles I. took possession of 200,000*l.* of the merchants' money that had been lodged in the Mint, and from that period the merchants kept their money in their own houses, under the care of their servants and apprentices. On the breaking out of the civil war between Charles I. and the Parliament, it became very customary for the apprentices to rob their masters, and then run away and join the army. As the merchants could now place no confidence either in the public authorities or in their own servants, they were under the necessity of employing bankers. These bankers were the goldsmiths."*

"Amid the troubles of those times, when public trust was shaken,
Money for safer custody was to the Goldsmiths taken." †

* The 'History and Principles of Banking,' by J. W. Gilbart, p. 21.
† Brewer's 'Poetical Chronology.'

Bank notes are frequently referred to in our Acts of Parliament as "Bankers' or goldsmiths' notes."—In the Act of 1704, which removed all "doubts" as to their legality, they are mentioned as "notes made and signed by any person or persons, body public or corporate, or by the servant or agent of any corporation, banker, goldsmith, merchant, or trader." Even the notes issued in Ireland were called goldsmiths' notes. By an Act of the Irish Parliament passed in 1709, "Notes issued by any banker, goldsmith, merchant, or trader," whether payable to order or bearer, were rendered assignable and indorsable over as inland bills of exchange. And in 1729, the forgery of bills of exchange, goldsmiths' or bankers' notes, above the value of 5*l.*, was declared felony, and the felon was to be burnt in the hand or transported at the pleasure of the Court.

After the establishment of the Bank of England in the year 1694, the notes of that corporation superseded the goldsmiths'. The business of banking, too, became gradually separated from that of a goldsmith, though we learn from a speech delivered in Parliament, in the year 1746, that most of the London bankers were at that time members of the Goldsmiths' Company.

I am not aware that we have any authentic details of the rise and progress of country banking in England. It is generally understood that very few country banks existed previous to the American war—that they rapidly increased after the termination of that war—that they received a severe check in the year 1793, when twenty-two became bankrupt, and that they increased with wonderful rapidity after the passing of the Bank Restriction Act. Since the year 1808 every bank that issues notes had been compelled to take out an annual licence—and since 1804, the notes have been subject to a stamp duty. This duty was increased in 1808, and again in 1815.

In the year 1775, bankers were prohibited by Act of Parliament to issue notes of a less amount than 20*s.* And in 1777, they were prohibited to issue notes of a less amount than 5*l.* But after the passing of the Bank Restriction Act

in 1797, the last restriction was removed, and the country banks commenced issuing notes of 1*l.* and 2*l.* And in 1822, the permission to issue such notes was continued until the expiration of the bank charter in 1833. But after the memorable panic of 1825, the Government refused to issue any more stamps for notes under 5*l.*, and it was enacted that all such notes already stamped should cease to be issued by the bankers after the year 1829.

The speculations that preceded the panic of 1825 were attributed by the Government of the day to a wild spirit of speculation fostered by the country banks. To guard against the recurrence of similar evils, not only were notes under 5*l.* abolished, but two other measures were introduced. Banks of Issue, consisting of more than six partners, were permitted to be formed at greater distance than sixty-five miles from London; and the Bank of England was induced to open branches in the provinces.

And here it will be proper to notice a peculiarity in the county of Lancaster, and particularly in Manchester and Liverpool:—In these places there were no country notes, and but a small proportion of Bank of England notes. The circulation consisted mainly of bills of exchange, which passed from hand to hand like bank notes, having the endorsement of all the parties through whose hands they had passed. In Liverpool large notes were required to pay the duties at the Custom House; and in Manchester small notes were required to pay wages. These were obtained from the Bank of England in London: but the transactions between manufacturers and dealers were transacted by bills of exchange; and as these bills were all made payable in London, bank notes were not required in Manchester and Liverpool, even for the payment of these bills.

The measures adopted by the Legislature in the year 1826 led to the establishment of branches of the Bank of England in Manchester and Liverpool. From this period the circulation of bills of exchange declined, and was superseded by Bank of England notes. This was accelerated by the circumstance that the joint-stock banks formed in these places

did not issue their own notes, but those of the Bank of England. This establishment had offered to discount for the joint-stock banks at 1 per cent. less than they charged to the public, and the joint-stock banks thought it more for their interest to obtain the notes of the Bank of England on these terms than to issue notes of their own. The circulation of the country now consisted of notes of the branches of the Bank of England, notes of the joint-stock banks, and notes of the private bankers; and as many of the weak private banks had ceased to exist, and as others had merged into joint-stock banks, and as all notes under 5*l.* were abolished, it was supposed that the country had now obtained the advantage of a secure circulation.

But in the latter end of the year 1836 another panic arrived, when it was discovered that the country circulation was again at fault. But the charge now was, not that it was unsafe, but that it was excessive: and this charge of having issued to excess was more especially directed against the joint-stock banks.

Here it may be observed that in the panic of 1825, the amount of country notes in circulation was unknown. No returns at that time were made to the Government, and the amount of notes in circulation could only be calculated, and that very imperfectly, from the number of stamps, of different denominations, issued from the Stamp Office. But in the year 1833, the Chancellor of the Exchequer, Lord Althorpe, obtained an Act (3 & 4 William IV. c. 83) which required all banks issuing promissory notes to make returns to the Stamp Office of the average amounts of notes in circulation in the quarters ending the first day of January, April, July, and October in each year. The quarterly average was to be formed from the amount in circulation at the end of each week. These quarterly returns were afterwards published in the *London Gazette.*

From these returns it was evident that the country circulation had increased by the beginning of the year 1836; and as a general spirit of speculation prevailed at the same time, it was inferred that the country circulation was the cause of

this speculation; and as by the end of the year the speculations had ended in panic, the country circulation was the cause of this panic.

Another panic occurred at the end of the year 1839, and here, again, blame was cast on the country notes. But the complaint now was not that the country circulation was unsafe or excessive, but that it was ill-regulated. An opinion had been adopted by some distinguished political economists that the country circulation, as well as that of the Bank of England, ought to correspond at all times with the amount of gold in the Bank of England. It is true that the circulation of the Bank of England did not fluctuate in exact accordance with this amount of gold; but the country circulation did not correspond even with that of the Bank of England. And as the fluctuations in the country circulation did not correspond with the fluctuations either of the gold of the Bank of England or with the notes of the Bank of England, it was assumed that the country circulation was ill-regulated; and, being ill-regulated, it was assumed to be the cause, or at least one cause, of the panic that occurred at the end of the year 1839.

To examine into the truth of these opinions, a Committee of the House of Commons was appointed in the year 1840, to consider the state of the law with reference to Banks of Issue. The Committee examined witnesses during the sessions of 1840 and 1841; but the only practical result was that an Act was passed requiring weekly returns of their circulation from every bank of issue.*

Before proceeding farther, it may be fair to state the replies which the country bankers at various times gave to these severe accusations.

In reply to the charge that the currency was unsafe, from the number of failures which occurred among the country banks of issue, they state in their memorial to Earl Grey, in the year 1833, "the number of London bankers that have failed is believed to be relatively greater, and the amount of their debts relatively larger, than that of country banks."

* 4 & 5 Victoria, c. 50.

In reply to the charge that they had by an excessive issue of their notes promoted speculation, they state:—

"All experience shows that great fluctuations have originated in the speculations of influential merchants, and never originated in the channels to which the issues of country bankers are confined; their source is in great mercantile cities, and they are promoted by the issues of the Bank of England. That this is the invariable course which fluctuations resulting in excess and derangement take, is proved by the evidence of Mr. Ward and others, before the Bank Charter Committee, and is fully explained by the speeches of the King's Ministers in the year 1826. The debts of a few speculative merchants who failed in a single year in the town of Liverpool, where country bankers' notes never circulated, amounted to between seven and eight millions sterling, and their bills were either lodged in the Bank of England for loans, or were current in all parts of the country, stimulating circulation and promoting excess."

In reply to the charge that they had turned the foreign exchanges against this country, they reply:—

"Your memorialists are prepared to prove that the issues of country bankers have less tendency to promote fluctuations in the country than those of the Bank of England; and that their effect in throwing the exchanges against the country is comparatively insignificant. The slightest attention to facts would indicate the truth of these positions. It has been established by parliamentary evidence that the issues of country bankers fluctuated much less between the years 1817 and 1826 than those of the Bank of England; and it is indisputable that adverse exchanges, which endanger the bank, always succeed great importations of foreign produce, and that they never can be occasioned by large exportations of domestic productions. Now, it is notorious that the circulation of country bankers acts almost exclusively in promoting these productions: and that, when it is in an extended state, the direct and proper influence even of an alleged excess of that circulation, would be to provide the means of paying for the importations of foreign produce without causing so great an export of gold as to derange and endanger the monetary system of the country."

In reply to the charge that they had not governed their issues of notes by the foreign exchanges, they reply that such system is not applicable to the nature of a local circulation.

"Then with respect to miners and manufacturers, any system which would bring them into immediate contact with the operation of the bank for regulating the foreign exchanges, without that protection and defence from those convulsive changes which the local circulation afford, would be a system pregnant with indescribable hazard."*

Such was the state of the currency question when the late Sir Robert Peel came into office in the year 1841. The charter of the Bank of England was subject to renewal in the year 1844, and in that year was passed an Act of Parliament "to regulate the issue of bank notes, and for giving to the Governor and Company of the Bank of England certain privileges for a limited period."†

The Act of 1844.

The charges against the country circulation had been, that it was unsafe, excessive, and ill-regulated. The Act of 1844 dealt chiefly with the second of these accusations.

According to the provisions of this Act, no new bank of issue was permitted to be established in the United Kingdom, and the maximum amount of notes which each existing bank of issue might issue upon an average of four weeks should, after the 10th October, 1844, be the average amount of the notes in circulation during the twelve weeks ending the 27th April, 1844: that returns should be made to Government of the average amount of notes in circulation during each week, and if, upon an average of four weeks, the amount in circulation exceeded the authorized amount, the bank should be subject to a penalty equal to the amount of that excess. That if any existing bank not having more than six partners should increase the number of partners to more than six, it should lose the privilege of issue. That if any two banks

* See 'The History and Principles of Banking,' section on Country Bankers.
† 7 & 8 Victoria, c. 32.

should unite, so as to increase their number beyond six, they shall lose the right of issue. And if any banker shall become bankrupt, or cease to carry on the business of a banker, or cease to issue notes, it shall not be lawful for such banker at any time thereafter to issue any such notes.

The charge of being unsafe the Act did not meddle with, except so far as limiting the issues of each bank, and prohibiting any new bank of issue, may be regarded as elements of safety. But the Act of 1844 left the country circulation still unregulated by the amount of gold in the Bank of England. In the month of October 1844, when the Act came into operation, the amount of gold in the Bank of England was 12,149,367*l.* On the 23rd of October, 1847, the amount of gold was 6,745,354*l.*, but the law required no corresponding reduction in the amount of the country circulation. On the 10th of July, 1852, the gold had advanced to 21,845,390*l.*, but the law permitted to the country circulation no corresponding expansion. It does not therefore appear to have been the object of the Act, that the country bankers should regulate their issues by the amount of gold in the Bank of England.

The maximum was the average of the twelve weeks ending April 27, 1844; but there seems to be no reason why this period should have been chosen. Sir Robert Peel originally proposed that the maximum should be the average of the previous two years. The private bankers asked for the average of the previous five years. The joint-stock banks asked for the *maximum* of the two years, contending, that if an average were made a maximum, the circulation would be still farther reduced. Sir Robert Peel ultimately determined on the average of the twelve weeks previous to the announcement of the measures to Parliament: the respective amounts are as follows:—

	Private Banks.	Joint-Stock Banks.
	£	£
Average of the two years . . .	4,916,494	3,061,562
Average of the five years . . .	5,761,792	3,485,329
Maximum of the two years . . .	5,295,239	3,752,867
Average of the twelve weeks as ultimately certified	5,153,407	3,495,446

The Private Banks were at that time 205, and the Joint-Stock Banks 72.

The following are the enactments respecting country bankers in the Act 7 & 8 Vict. c. 32, passed in 1844:—

No new Bank of Issue.

"X. And be it enacted, That from and after the passing of this Act, *no person other than a banker, who on the sixth day of May,* one thousand eight hundred and forty-four, was lawfully issuing his own bank notes, shall *make or issue bank notes in any part of the United Kingdom.*"

Restrictions against Issue of Bank Notes.

"XI. And be it enacted, That from and after the passing of this Act, it shall not be lawful for any banker to draw, accept, make, or issue, in England or Wales, any bill of exchange, or promissory note, or engagement for the payment of money payable to bearer on demand, or to borrow, owe, or take up, in England or Wales, any sums or sum of money on the bills or notes of such banker payable to bearer on demand, save and except that it shall be lawful for any banker who was on the sixth day of May, one thousand eight hundred and forty-four, carrying on the business of a banker in England or Wales, and was then lawfully issuing, in England or Wales, his own bank notes, under the authority of a licence to that effect, to continue to issue such notes, to the extent and under the conditions hereinafter mentioned, but not further or otherwise; and the right of any company or partnership to continue to issue such notes shall not be in any manner prejudiced or affected by any change which may hereafter take place in the personal composition of such company or partnership, either by the transfer of any shares or share therein, or by the admission of any new partner or member thereto, or by the retirement of any present partner or member therefrom: Provided always, *that it shall not be lawful for any company or partnership now consisting of only six or less than six persons to issue bank notes at any time after the number of partners therein shall exceed six in the whole.*"

Bankers ceasing to issue Notes may not resume.

"XII. And be it enacted, That if any banker in any part of the United Kingdom who after the passing of this Act shall be entitled to issue bank notes *shall become bankrupt,* or shall cease to carry on the business of a banker, or shall *discontinue the issue of bank notes,* either by agreement with the Governor and Company of the Bank of England or otherwise, it *shall not be lawful for such banker at any time thereafter to issue any such notes.*"

Existing Banks of Issue to continue under certain Limitations.

"XIII. And be it enacted, That every banker claiming under this Act

to continue to issue bank notes in England or Wales shall, within one month next after the passing of this Act, give notice in writing to the Commissioners of Stamps and Taxes, at their head office in London, of such claim, and of the place and name and firm at and under which such banker has issued such notes *during the twelve weeks next preceding the twenty-seventh day of April last;* and thereupon the said commissioners shall ascertain if such banker was, on the sixth day of May, one thousand eight hundred and forty-four, carrying on the business of a banker, and lawfully issuing his own bank notes in England or Wales; and if it shall so appear, then the said commissioners shall proceed to ascertain the average amount of the bank notes of such banker which were in circulation during the said period of twelve weeks preceding the twenty-seventh day of April last, according to the returns made by such banker in pursuance of the Act passed in the fourth and fifth years of the reign of her present Majesty, intituled, 'An Act to make further Provision relative to the Returns to be made by Banks of the Amount of their Notes in circulation; and the said commissioners, or any two of them, shall certify under their hands to such banker *the said average amount,* when so ascertained as aforesaid; and it shall be lawful for every such banker to continue to issue his own bank notes after the passing of this Act: Provided nevertheless, *that such banker shall not at any time after the tenth day of October, one thousand eight hundred and forty-four, have in circulation upon the average of a period of four weeks, to be ascertained as hereinafter mentioned, a greater amount of notes than the amount so certified.*"

Provision for United Banks.

"XIV. Provided always, and be it enacted, That if it shall be made to appear to the Commissioners of Stamps and Taxes that any two or more banks have, by written contract or agreement (which contract or agreement shall be produced to the said commissioners), become united within the twelve weeks next preceding such twenty-seventh day of April as aforesaid, it shall be lawful for the said commissioners to ascertain the average amount of the notes of each such bank in the manner hereinbefore directed, and to certify the average amount of the notes of the two or more banks so united as the amount which the united bank shall thereafter be authorized to issue, subject to the regulations of this Act."

Duplicate Certificate to be published in the Gazette. Gazette to be Evidence.

"XV. And be it enacted, That the Commissioners of Stamps and Taxes shall, at the time of certifying to any banker such particulars as they are hereinbefore required to certify, also publish a duplicate of their certificate thereof in the next succeeding *London Gazette* in which the

same may be conveniently inserted; and the gazette in which such publication shall be made shall be exclusive evidence in all courts whatsoever of the amount of bank notes which the banker named in such certificate or duplicate is by law authorized to issue and to have in circulation as aforesaid."

In case Banks become united, Commissioners to certify the amount of Bank Notes which each Bank was authorized to issue.

"XVI. And be it enacted, That in case it shall be made to appear to the Commissioners of Stamps and Taxes, at any time hereafter, that any *two or more banks,* each such bank *consisting of not more than six persons,* have, by written contract or agreement (which contract or agreement shall be produced to the said commissioners), become united subsequently to the passing of this Act, it shall be lawful to the said commissioners, upon the application of such united bank, to certify, in manner hereinbefore mentioned, the aggregate of the amounts of bank notes which such separate banks were previously authorized to issue, and so from time to time; and every such certificate shall be published in manner hereinbefore directed; and from and after such publication the amount therein stated shall be and be deemed to be the limit of the amount of bank notes which such united bank may have in circulation: *Provided always, that it shall not be lawful for any such united bank to issue bank notes at any time after the number of partners therein shall exceed six in the whole.*"

Penalty on Banks issuing in excess.

"XVII. And be it enacted, That if the monthly average circulation of bank notes of any banker, taken in the manner hereinafter directed, shall at any time exceed the amount which such banker is authorized to issue and to have in circulation under the provisions of this Act, such banker shall in every such case forfeit a sum *equal to the amount* by which the average monthly circulation, taken as aforesaid, shall have exceeded the amount which such banker was authorized to issue and to have in circulation as aforesaid."

Issuing Banks to render Accounts.

"XVIII. And be it enacted, That every banker in England and Wales who, after the tenth day of October, one thousand eight hundred and forty-four, shall issue bank notes, shall on some one day in every week after the nineteenth day of October, one thousand eight hundred and forty-four (such day to be fixed by the Commissioners of Stamps and Taxes), transmit to the said commissioners an account of the amount of the bank notes of such banker in circulation on every day during the week ending on the next preceding Saturday, and also an account of the average amount of the bank notes of such banker in cir-

culation during the same week; and on completing the first period of four weeks, and so on completing each successive period of four weeks, every such banker shall annex to such account the average amount of bank notes of such banker in circulation during the said four weeks, and also the amount of bank notes which such banker is authorized to issue under the provisions of this Act; and every such account shall be verified by the signature of such banker or his chief cashier, or, in the case of a company or partnership, by the signature of a managing director, or partner, or chief cashier of such company or partnership, and shall be made in the form to this Act annexed marked (B.); and so much of the said return as states the weekly average amount of the notes of such bank shall be published by the said commissioners in the next succeeding *London Gazette* in which the same may be conveniently inserted; and if any such banker shall neglect or refuse to render any such account in the form and at the time required by this Act, or shall at any time render a false account, such banker shall forfeit the sum of *one hundred pounds* for every such offence.

Mode of ascertaining the average amount of Bank Notes of each Banker in Circulation during the first Four Weeks after 10*th October*, 1844.

"XIX. And be it enacted, That for the purpose of ascertaining the monthly average amount of bank notes of each banker in circulation, the aggregate of the amount of bank notes of each such banker in circulation on every day of business during the first complete period of four weeks next after the tenth day of October, one thousand eight hundred and forty-four, such period ending on a Saturday, shall be divided by the number of days of business in such four weeks, and the average so ascertained shall be deemed to be the average of bank notes of each such banker in circulation during such period of four weeks, and so in each successive period of four weeks, and such average is not to exceed the amount certified by the Commissioners of Stamps and Taxes as aforesaid."

Bankers to take out a separate Licence for every Place at which they issue Notes or Bills. Proviso in favour of Bankers who had Four such Licences in force on the 6*th of May*, 1844.

"XXII. And be it enacted, That every banker who shall be liable by law to take out a licence from the Commissioners of Stamps and Taxes to authorize the issuing of notes or bills shall take out a *separate and distinct licence for every town* or place at which he shall, by himself or his agent, issue any notes or bills requiring such licence to authorize the issuing thereof, anything in any former Act contained to the contrary thereof notwithstanding: Provided always that no banker who on or before the sixth day of May, one thousand eight hundred and forty-four, had taken out four such licences, which on the said last-

mentioned day were respectively in force, for the issuing of any such notes or bills at more than four separate towns or places, shall at any time hereafter be required to take out or to have in force at one and the same time more than four such licences to authorize the issuing of such notes or bills at all or any of the same towns or places specified in such licences in force on the said sixth day of May, one thousand eight hundred and forty-four, and at which towns or places respectively such bankers had on or before the said last-mentioned day issued such notes or bills in pursuance of such licences or any of them respectively."

It will be seen from these extracts that the provisions of the Act require—

1. That no new bank of issue be established in the United Kingdom.

2. That the *maximum* of each bank of issue in England shall be the *average* of the notes in circulation during the four weeks ending the 27th of April, 1844.

3. That if any bank having not more than six partners should exceed that number, it would lose its issue. This tends to prevent private banks merging into joint-stock banks.

4. That no union can take place between a joint-stock bank and a private bank, or between two joint-stock banks of issue, without one of them at least losing its circulation.

5. Every new branch at which notes shall be issued must take out a separate licence. Hitherto no bank had been obliged to take out more than four licences, however numerous its branches. This tends to check the opening of new branches of issue.

It has been stated that the object of this Act was to pave the way for the establishment of one bank of issue. These provisions are certainly not ill-adapted for such an end. They will reduce the amount of the country circulation. They will produce other ill effects. The formation of large banks will be retarded. In some places it would be for the public advantage that a private bank should become a joint-stock bank. In other districts, it might be desirable that two small joint-stock banks of issue should unite and form a large one. The restrictions imposed by this Act will tend to prevent such unions. Perhaps in other respects its effects

may be beneficial. It may lead a larger number of persons to keep current accounts with bankers, and to make their payments with cheques. A smaller amount of notes will then be necessary for the purposes of the country. The advantages of having a banker will be extended to the middle and lower classes, and will not as much as heretofore be confined to the wealthy. The Act, too, may have the effect of exempting the banks of issue from those accusations to which they have always been subjected on the occurrence of any national calamity. The whole Act of 1844 is formed upon the notion that the country bankers can extend their issues as much as they please—"a vulgar error," that has over and over again been abundantly refuted. Yet, had the Bill not been passed, and had the country circulation increased a million or two, as possibly it might, from the increased transactions of the country, the railway speculations of 1845 and 1846 would doubtless have been ascribed to the excessive issues of the country banks. The following language, which I addressed in 1844 to the joint-stock banks, may not be considered inapplicable to all banks of issue:—

"Another advantage is, that the joint-stock banks of issue will be delivered from those unjust accusations to which they have hitherto been exposed. Almost every evil that has befallen the country for the last ten years has been ascribed by different writers to the reckless issues of the joint-stock banks; and though the charge has been oft refuted, yet such has been the talent, zeal, and perseverance with which it has been revived, that it has doubtless in some degree prejudiced the public mind. But now this charge can be made no more. Our assailants are compelled to observe at least a ten years' truce. During this period we shall have no bank directors publishing pamphlets to show that their efforts to regulate the exchanges have been counteracted by the imprudent issues of the joint-stock banks. Our notes will not again be classed by the authors of 'prize essays' among the causes of national distress, and philosophical writers will no longer declaim, in eloquent metaphor, against 'the wild democracy of rival issuers.' It is no small matter to be put

into a position wherein we shall be sheltered from the peltings of unjust accusations."

Some banks had ceased to issue their notes before the passing of the Act, by virtue of agreements with the Bank of England. The twenty-third section of the Act contains a special provision with reference to these banks.

Compensation to certain Bankers named in the Schedule.

"XXIII. And whereas the several bankers named in the schedule hereto annexed marked (C.) have ceased to issue their own bank notes under certain agreements with the Governor and Company of the Bank of England; and it is expedient that such agreements should cease and determine on the thirty-first day of December next, and that such bankers should receive by way of compensation such composition as hereafter mentioned; and a list of such bankers, and a statement of the maximum sums in respect of which each such banker is to receive compensation, hath been delivered to the Commissioners of Stamps and Taxes, signed by the chief cashier of the Bank of England; be it therefore enacted, That the several agreements subsisting between the said governor and company and the several bankers mentioned in the schedule hereto relating to the issue of Bank of England notes shall cease and determine on the thirty-first day of December next; and from and after that day the said governor and company shall pay and allow to the several bankers named in the schedule hereto marked (C.), so long as such bankers shall be willing to receive the same, a composition at and after the rate of one pound per centum per annum on the average amount of the Bank of England notes issued by such bankers respectively and actually remaining in circulation, to be ascertained as follows: (that is to say), on some day in the month of April, one thousand eight hundred and forty-five, to be determined by the said governor and company, an account shall be taken of the Bank of England notes delivered to such bankers respectively by the said governor and company within three months next preceding, and of such of the said Bank of England notes as shall have been returned to the Bank of England, and the balance shall be deemed to be the amount of the Bank of England notes issued by such bankers respectively and kept in circulation; and a similar account shall be taken at intervals of three calendar months; and the average of the balances ascertained on taking four such accounts shall be deemed to be the average amount of Bank of England notes issued by such bankers respectively and kept in circulation during the year one thousand eight hundred and forty-five, and on which amount such bankers are respectively to receive the aforesaid composition of one per centum for the year one thousand eight

hundred and forty-five; and similar accounts shall be taken in each succeeding year; but in each year such accounts shall be taken in different months from those in which the accounts of the last preceding year were taken, and on different days of the month, such months and days to be determined by the said governor and company; and the amount of the composition payable as aforesaid shall be paid by the said governor and company out of their own funds; and in case any difference shall arise between any of such bankers and the Governor and Company of the Bank of England in respect of the composition payable as aforesaid, the same shall be determined by the Chancellor of the Exchequer for the time being, or by some person to be named by him, and the decision of the Chancellor of the Exchequer, or his nominee, shall be final and conclusive: Provided always, that it shall be lawful for any banker named in the schedule hereto annexed marked (C.) to discontinue the receipt of such composition as aforesaid, but no such banker shall by such discontinuance as aforesaid thereby require any right or title to issue bank notes."

All banks of issue are still excluded from receiving accommodation, by discount or otherwise, from the Bank of England. There seems, however, to have been a difference of opinion among the directors as to the propriety of continuing this exclusion. Mr. Morris thought that under the Act of 1844, the rule might be relaxed:—

"Do you not refuse discounts to all banks of issue?—We have always refused discount accounts to banks issuing their own notes.

"Upon what ground?—The ground upon which I understand it has been refused is, that, previous to the Act of 1844, the bank made arrangements with certain joint-stock banks, to induce them to adopt the Bank of England circulation; and after the Act of 1844 had been passed, it was thought that it would be hard not to continue the same facilities to those banks which they had obtained from the bank before the passing of the Act; that arrangement having been made for our mutual convenience.

"It is, however, a complaint, that you have a stringent rule, by which you refused discounts or accommodation to all banks of issue?—I have no objection to state, speaking individually, that now that the Act of 1844 has been passed, I do not see any reason why they should not be placed on the same footing as the others; but the reason the court has not acceded to that, is in consequence of those parties having worked with us at a period when it was useful to us that they should do so."*

* Commons, 2996 to 3000.

But Mr. Cotton entertained different sentiments :—

"Can you inform the committee of the reasons why the Bank of England refuses accommodation to parties who issue notes?—There are, in my opinion, good reasons for that; those reasons appear in the following paper, which I have drawn up: 'Issuing banks, were the right of discounting conceded to them, would keep an insufficient reserve of their own notes, of Bank of England notes, or coin, perhaps none, relying on discounting with the bank on every demand, and most pressing on the bank when it was restricting its issues.—There are about 300 banks of issue in England and Wales, for all of which the bank would have to provide gold.—The measure would tend to frustrate one of the objects of Act 7 and 8 Vict. c. 32 (the ultimate establishment of a single bank of issue), by withdrawing a motive to banks of issue to adopt Bank of England circulation. It would give some ground of complaint to those bankers who have already abandoned their circulation, by placing their issuing competitors on a level with themselves as to discounting. It would, as respects Manchester and Liverpool, be inoperative, there being no banks of issue at those places. It would be difficult in times of pressure or adverse exchanges to control the discounts; and such contraction, if enforced, would be obnoxious to such issuing banks as had been in the habit of discounting. The banks would consider they had acquired a right to discounts, and would probably ascribe to the capricious action of the Bank of England any losses consequent on a necessary contraction of accommodation.'" *

The Laws of the Currency with reference to the Country Banks.

These are thus stated in the article previously quoted, in the Foreign and Colonial Review :—

"It will readily occur to every reader, that the laws which regulate the circulation of these country banks must be different from those which regulate the London circulation of the Bank of England. They do not pay the public dividends; they cannot issue their notes in purchasing bullion, or Government stock, or Exchequer bills, as all these operations take place in London, where their notes do not circulate. They are also subject to certain restrictive laws to which the notes of the Bank of England are not subject. Their notes are not only legally payable on demand, but payment is constantly demanded; while no one demands payment of a Bank

* Commons, 4312.

of England note, unless he has occasion to export the gold. There is also a system of exchanges between country bankers, by which all notes that are paid into any of the banks are immediately brought back for payment to the banks that issued them. It is the practice, too, throughout the country, to allow interest on deposits; and thus all notes not required for the actual wants of the community are promptly withdrawn from circulation, and lodged with a bank upon interest.

"On inspecting the monthly returns of the country circulation for the last ten years, we find that the highest amount is in the month of April; thence it descends, and arrives at the lowest point by the end of August, which is the lowest point in the year. It gradually increases to November; a slight reaction takes place in December; but it then advances, until it reaches the highest point in April. The general law is, that the country circulation always makes one circuit in the year—being at its lowest point in August, and advancing to December, and continuing to advance to its highest point to the month of April, and then again descending to its lowest point in August.

"The laws which regulate the circulation of the country banks are derived from the state of trade in the respective districts in which the banks are established. As these banks are chiefly located in agricultural districts, the operations of agriculture have a very considerable influence in their regulation. Hence the advance in the spring, and the advance again after August, in consequence of the harvest. It is clear that the laws must be uniform in their operation, because the fluctuations of circulation in each year are uniform, and constantly recur with the return of the season. The slight reaction in December is probably occasioned by the collection of the public revenues and of landlords' rents in the country districts, and the general dulness of trade in that month.

"It may also be observed, that the issues of the joint-stock banks, and of the private banks, are subject to the same laws. The issues of both class of banks rise together and fall together, and they have maintained nearly the same *relative* amount during the last seven years.

"The laws which regulate the annual fluctuations of the country circulation, that is, which determine the variations in the amounts of the country circulation, not within the year, but taking corresponding periods of different years, are also dependent on the state of trade in those years. If there be an increase of trade without an increase of prices, more notes will be required to circulate the increased quantity of commodities. If there be an increase of commodities, and also an advance of prices, a still larger amount of notes would be required. There are also other circumstances that may permanently affect the amount of the country circulation.

Principles of the Country Circulation.

I cannot better state my own views of the principles of the country circulation, than by transcribing a portion of my evidence given before the Committee on Banks of Issue, in March, 1841, when examined by Sir Robert Peel:—

"*Sir Robert Peel.*—Would you recommend that the paper thus issued should be convertible into gold at the will of the holder?—Yes.

"You think that is an absolutely necessary check against excessive issues?—I think it is a necessary check.

"What reference is made in the issue of paper to the quantity of gold in the country, and to the ultimate ability of the parties to discharge their paper engagements in gold? —The bankers in issuing their notes do not make any reference to the quantity of gold in the country, but they make reference to their ability to discharge those notes when returned to them for payment.

"What is the nature of the reference which they make?—By keeping securities available for the purpose of being sold, in order to discharge those notes whenever presented to them for payment.

"They have no reference whatever to the state of the exchanges?—No; when I say no, I mean not with the view of regulating the amount of notes by the exchanges; but bankers, whether banks of issue or not, notice the exchanges

as naturally as they would notice the prices of the funds, in order that they may be able to judge as to the future value of money, so as to excercise their discretion with reference to their investments.

"They do not notice the state of the exchanges with a view to determine the policy of contracting or increasing their issues?—No; not with a view of making the amount of their issues correspond. If they see that the exchange is likely to become unfavourable, bankers will naturally be more cautious in making advances, and more cautious of coming under engagements, than they would be when they found that the exchanges were favourable; but there is no intention on the part of the country banks to make their notes correspond with the amount of the bullion in the Bank of England.

"A country banker would rely upon the sale of his securities, and that only in case of a demand for gold?—In case of a general run, he would depend upon the stock he had in hand, and the further stock he might realize by a sale of securities.

"If all parties continued to issue, none of them having reference to the state of the exchanges, but relying upon the available resources which a sale of securities might supply, do not you think that there might be a danger of a sudden demand for gold, and of an inability on the part of those issuers to discharge their engagements in gold?—I do not think there would be any danger of that at all, because each bank would take care of itself; if you suppose that the whole circulation of the country comes in at once and demands gold, it is quite clear that gold cannot be found to pay it off, and that is equally the case with the Bank of England and any other bank, and it is equally the case with us who are banks of deposits; if all the depositors were to come together at the same time and require their deposits, we should be unable to pay them, but we could realize our securities, and pay them off, if they were to come gradually.

"Suppose there was one bank which had the charge of the paper circulation of the country, and had the means, therefore, by constant reference to the state of the exchanges, of

determining the amount of the paper circulation, do not you think that there would be a greater security against a sudden demand for gold, and an inability to pay that gold, than there is when there are a great many issuers, none of whom, according to your own statement, pay the slightest regard to the state of the exchanges ?—No, I think not.

"What then supplies the check ?—The check upon the private bankers is, that their circulation cannot be issued to excess ; whereas if you had a bank which should issue notes for so much gold, then every time there was a favourable course of exchange, there would be a large issue of notes, which notes would necessarily reduce the rate of interest, lead to speculation, and turn the exchanges again by causing investments to be made in foreign countries. Now, as issues are at present conducted, bankers are under several checks which would not apply to such a bank ; for instance, the check of the interchange with each other of their different notes once or twice a week, and the check of having their notes payable on demand ; whereas the notes of such a bank as you suppose would not be diminished except when gold was wanted to be sent abroad. Another check is the practice of giving interest upon deposits, by which all the surplus circulation is called in and lodged with the banks ; now, such a bank as you have supposed would not be under the control of those checks, and it would be under the necessity of increasing the circulation whenever the exchange became favourable ; and we know by experience, that the most sure way of making the exchanges unfavourable is a previous excessive issue ; that previous excessive issue would necessarily arise, on the principle you have supposed, every time the exchange was favourable.

"You think that there is some cause in operation which applies equally to all issuers of paper, and prevents any undue issue of paper, and dispenses with the necessity of any reference on the part of each issuer to the state of the exchanges ? —That is the case with all country issuers of paper. With regard to the Bank of England, who have the power of issuing their notes in exchange against bullion, in the purchase of

Exchequer bills and Government stock, it is quite clear that notes put into operation in that way, being thrown in a mass upon the previously existing state of trade, will have the effect of raising prices and reducing interest, and turn the exchanges; but if notes are issued merely to pay for transactions that have previously taken place, and are drawn out by the operations of trade, those notes will have no such effect.

"Supposing, at present, the Bank of England observed that the exchanges continued unfavourable for a long period, and that there was a progressive diminution in the amount of their bullion, and supposing that they saw that in the course of two years their bullion was reduced from ten millions to four millions; do you think it would be desirable that the Bank of England should take any step whatever to guard against the ultimate consequences of that state of things by restricting the paper circulation?—I think such a case may occur, but I think in ordinary times the Bank of England might hold foreign securities, by which they would bring back gold to this country, and thus prevent any necessity for a contraction of the circulation; at the same time, I do not at all question the possibility of such a case occurring as may render a contraction necessary; nor do I at all question the influence of a contraction to have some effect upon the exchanges; but I contend that, as an ordinary principle of action, the bank ought not to expand their circulation, so as to cause the exchanges to be unfavourable, nor calculate upon a contraction of the circulation for the purpose of remedying the exchanges.

"Then you do think that the expansion of the circulation of the Bank of England may cause unfavourable exchanges?—Yes.

"Why should not the expansion of the circulation on the part of the country issuers produce the same effect?—Because the country circulation is under checks, whereas the Bank of England circulation is not; the country circulation can be issued only in consequence of transactions which have taken place, and to the extent only required by the wants of the district; whereas it is obvious that the Bank of England has

the power of increasing the circulation by the purchase of Exchequer bills or stock, or by purchasing bullion, and throwing a mass of notes on the market when the state of trade does not require them."

Chairman.—"Have you any further observations to make to the committee?—When the first question was asked of me, at the commencement of my examination, I stated that I appeared before the committee as the representative of the joint-stock banks, and that, therefore, in expressing any opinions consistently with the resolutions which they had passed, I wished to be considered as speaking the sentiments of the joint-stock banks; but, should the committee ask me any question not connected with the circumstances of country issues, that I wished to be considered as speaking my own individual opinions. The points upon which I wished to be considered as speaking the sentiments of the joint-stock banks are as follows: I speak the opinions of the joint-stock banks, in saying that their circulation cannot be made to fluctuate in exact conformity with the circulation of the Bank of England, or with the stock of gold in the Bank of England; that the country issue is drawn out by the demands of trade, and is subject to checks to which the circulation of the Bank of England is not liable; that the country bankers have not the power of issuing their notes to excess; that they cannot contract their circulation or expand it as they please; and also, that the country circulation does not influence the prices of commodities, and that it cannot be regulated by the principles of the foreign exchange. I speak the opinions of the joint-stock banks when I say, that the abolition of the country circulation would cause very considerable distress; would limit the power of the country banks to grant the same accommodation to their customers; would compel many of their customers to sell their property, thus lessening the value of real property; that country bankers would be compelled to increase their charges to their customers; and, in some cases, that those banking establishments would be altogether abolished, in consequence of not being able to supply sufficient profit for carrying them on; that, in some other cases, however

the country circulation would be substituted or superseded by a bill circulation, nevertheless considerable distress would exist throughout the country, and that not only country banks themselves, but their customers and the public in general, would be subject to very considerable loss and inconvenience. In other opinions which I have expressed with regard to the regulation of the currency, and the principles upon which the Bank of England ought to be managed, also, as regards the extracts which have been made from my own works, and other matters I need not particularly specify, I wish to be understood as giving my own opinions, without saying whether those opinions do or do not meet the concurrence of the joint-stock bankers. I take the responsibility of these entirely upon myself."

Notes under Five Pounds.

The most important circumstance in which the banks of Scotland and Ireland differ from those of England, is in their power to issue notes under 5*l.* That portion of our currency in England which is under 5*l.* consists of gold and silver coin. And it may, under present circumstances, be worth while to inquire: suppose we should have a protracted war, and be compelled to export our gold, either to subsidize foreign powers, or to maintain our fleets and armies abroad, what additional supply of gold could we obtain by means of issuing 1*l.* notes? I do not think we can get any certain reply to this question; but there are some inquiries that may assist our reasonings on the subject. First, we may inquire, when the Bank of England issued small notes, what proportion did the notes under 5*l.* bear to the amount of the whole circulation? That establishment issued such notes from the year 1797 to the year 1821. We find that the highest proportion was in the years 1815 and 1816. On the last day of February in those years the circulation stood thus—

	Notes under £5.	Notes of £5 and upward.	Total Circulation.
	£	£	£
1815 . . .	9,035,250	18,226,400	27,261,650
1816 . . .	9,001,400	18,012,220	27,013,620

Here we find that the notes under 5*l.* were about half the amount of those of 5*l.* and upwards. This was in 1815 and 1816, nearly forty years ago, and when the notes were issued only in London. Supposing, therefore, in round numbers, that the Bank of England circulation is now 20,000,000*l.*, then in the same proportion she might maintain a circulation of 10,000,000*l.* of small notes. But we must remember that during the last forty years the population, the trade, and the wealth of the nation has vastly increased. And if pecuniary transactions were conducted in the same way, the notes in circulation must have increased in proportion. But, in consequence of the more general use of bills of exchange, the extension of banking accounts, the more frequent exchanges between country bankers, and the operations of the Clearing-house in London, a smaller amount of bank notes is now necessary. All large transactions are now settled, not by notes, but by bills and cheques and transfers. But these banking facilities which diminish the demand for large notes do not in the same proportion diminish the use of small notes. On the contrary, from the great increase in the labouring population and the consequent increased extent of retail trade, the demand for small notes to pay wages and to settle small transactions must, during the last forty years, have greatly increased. Seeing, then, that the demand for large notes has diminished, and the demand for small currency has increased, it seems reasonable to suppose that were the Bank of England now to issue small notes, the amount in circulation would bear a higher proportion to the large notes than was the case forty years ago.

I have already stated that we have no returns of the amount of the country circulation previous to the year 1833. But we have the number of notes stamped of different denominations, and we find that in the years 1820 to 1825, the amount of notes stamped under 5*l.* varied from 37 to 50 per cent., making an average of 44 per cent. of the whole circulation. This makes the small notes nearly equal in amount to the large ones. But here again it is probable that the small notes remained out longer than the large ones. A

greater proportion of the large notes were probably in the banker's till, and a larger proportion of the small notes in the hands of the public. It seems probable, therefore, that the amount of small notes in active circulation was usually higher than the amount of large notes. And if the Bank of England, whose issues were made only in London, and whose circulation was chiefly in London and Lancashire, maintained one-third of her circulation in small notes, it seems likely that the country banks, whose notes were issued in almost every town and village in the country, would maintain a much higher proportion than even one-half.

If we look to the present state of the circulation in Ireland and Scotland, we shall find that the small notes form the larger proportion, and the amount furnishes no confirmation of the doctrine that small notes diminish in wealthy countries. Scotland is a wealthier country than Ireland, yet has a larger proportion of small notes. And the north of Ireland is wealthier than the south, yet the banks of Belfast have a larger proportion of small notes than the banks of the south.

From the former circulation of the Bank of England, the stamps issued to the country bankers, and the present circulation of Scotland and Ireland, we have then materials for forming an opinion as to the amount of small notes that might be maintained in circulation in England; and though we cannot fix the amount with that precision which the science of statistics requires, yet after putting the facts and reasonings together, we seem warranted in drawing the conclusion that the amount would not be less than thirty millions; and, consequently, we have the power, when necessary, of releasing from their present duties thirty millions of sovereigns, and employing them for national purposes elsewhere.

Suggestions on the Country Circulation.

It is not the object of this paper to examine any of the enactments of the Act of 1844 that have a reference to the Bank of England; but when the subject is brought under consideration, means should be employed to obtain some

modification of those clauses that have a reference to the country banks. The country circulation should be preserved in its integrity—should be rendered capable of expansion, so as to meet the demands of a more numerous population, extended commerce, higher prices, and increased taxation—its issues should be allowed to be regulated by the demands of trade and agriculture in the respective districts in which the banks are established, and should be rendered as much as possible free from the operation of the foreign exchanges.

We find that in 1844, when the country circulation had greatly declined, we took the actual circulation of the then existing country notes, and made it a maximum circulation—an arrangement which necessarily, from the fear of incurring penalties, reduced the amount of the actual circulation below the maximum. We apply this maximum to a circulation that fluctuated very much in different parts of the year. If, then, we keep below the maximum in April, we necessarily fall much lower in August. We divide this maximum among 277 banks, and impose heavy penalties upon every one that shall exceed his portion of the maximum,—a circumstance that tends to reduce still farther the actual circulation. No one is forbidden to reduce his issue as low as he pleases; and if he abandons it altogether, only two-thirds can be supplied, and that by permission of the government; and then only upon the application of a bank whose head-quarters are in London, who is to get nothing by the operation, and whose issues are governed by laws which have been declared by the country bankers to be inapplicable to the operations of a local currency, and unsuitable to the requirements of domestic industry. This maximum must never be exceeded, while those banks that previously issued Bank of England notes, are not allowed to resume their own circulation, and no new bank of issue is allowed to be established. The result of this arrangement has been, that an authorized issue in 1844 of 8,648,853*l.* is now reduced to an authorized issue of 7,942,466*l.*, and that the actual circulation is generally below 7,000,000*l.*, and has been below 6,000,000*l.*; while every banker, in certain seasons of the year, has been compelled to

watch the issue of his notes, lest he incur those enormous penalties which attend even the accidental violation of the Act.

In endeavouring to remove those inconveniences, we would be governed by a regard to the spirit of the Act of 1844, and attempt only to correct its practical defects. Among the modifications that may be suggested, perhaps the following may deserve a special consideration:—That the present maximum which applies to an average of four weeks should apply to an average of twelve months;—that all the banks who had formed agreements with the Bank of England, and whose compensation will cease in 1856, should then be allowed to circulate their own notes to the amount to which they had circulated Bank of England notes:—that the country circulation should not be less than the amount fixed by the Act of 1844, and that the deficiency of 706,387*l.*, which has since taken place, should be redistributed among the country banks (whether at present issuing or non-issuing), in the district in which the deficiency has taken place;—that we adopt the enactments of Scotland and Ireland, by allowing the existing banks of issue to extend their issues beyond their fixed amount, provided they have gold, either at the head office or at any of the branches,* equal to the amount of the excess; and as Bank of England notes are a legal tender in England and can be converted into gold upon demand, they might in this instance be placed upon an equality with gold; —that banks of issue, not having more than six partners, be permitted to continue their fixed issue in the same locality, even should they increase their partners to a greater number than six; and that this regulation be made retrospective, so as to include all unions of banks of issue with other banks that have taken place since the year 1844; and further, that we adopt the law of Scotland and Ireland by allowing two or more banks of issue, whatever may be the

* The Act of 1845, in reference to Ireland, is imperfect in this respect. The Provincial Bank of Ireland, for instance, can issue notes against gold held in Dublin, Belfast, Limerick, and Cork, but not against gold held at any of the other branches. There seems to be no reason for this distinction.

number of their partners, to unite and to retain the united amount of issue of all the united banks. With reference to the issue of notes under 5*l.*, we think that is a question for the consideration of statesmen, and its adoption must depend upon the political circumstances of the country. As long as Australia can supply us with gold, sufficient to meet our foreign requirements, and to maintain our domestic currency, probably we had better remain as we are. At the same time it may be useful to know, that in case of necessity, we have here a magazine from which we may draw a large supply of the sinews of war.

Bank Exchanges.

The country bankers residing in the same neighbourhood usually make their exchanges once a-week, and pay the difference in London on the following day. This arrangement is of considerable advantage to all parties. Suppose I, as a country banker, receive in the course of a week the sum of 10,000*l.* in the notes of a neighbouring bank, and that bank receives the same amount of my notes; if we exchange notes, there is an end of the transaction. I pay the notes that bank has upon me by the notes I have upon that bank, and each of us has 10,000*l.* less in circulation. But suppose we refuse to exchange notes with each other, then I take his notes and demand Bank of England notes and sovereigns, and he does the same with me. Hence each of us must keep a balance of 10,000*l.* more in gold or Bank of England notes, and also an additional sum to answer any sudden emergency that may arise at any time from that banker having more than the usual amount of notes, and to meet any run that he may be disposed to make upon me. Thus it is, that country banks by exchanging notes, and receiving payment of the difference in London, are enabled to carry on their business with a less amount of ready cash, and to prevent the danger that might arise from being run upon by each other. Those banks only exchange which are in the same neighbourhood. Were I to receive the notes of a bank at some distance off, I should

send these notes to London, and that banker would send my notes to London, and they would be paid by our London agents. We should not exchange with each other, because it would cost more to send a messenger with the notes to be exchanged than it would cost postage to London. Here I have to pay the postage of these notes to London, and I have also to pay the expense of having my notes which have been paid in London sent down to me.

The exchange between any two banks established in the same place will be regulated by the character and extent of the business they may respectively carry on. The balance may for a considerable length of time be uniformly in favour of one of these banks, and then for a considerable period in favour of the other; or it may fluctuate weekly, and at the year's end be found to be neither favourable nor unfavourable. I shall endeavour to investigate the causes which govern these changes. In the first place, I shall presume that each bank is a bank of deposit, of discount, of remittance, of agency, and of circulation. The claims upon each bank will then consist of—1. Cheques drawn against deposit accounts. 2. Its own notes. 3. Notes issued by its agents or other branches. 4. Letters of credit granted by agents or branches. These claims or obligations will get into the possession of the rival bank by some of the following ways:—1. As lodgements on deposit accounts. 2. In payment of local bills. 3. For bills or letters of credit on agents or branches. 4. Received for collection by post from some agents or branches. The exchanges will now be more or less favourable, according to the following circumstances:—

1. The discounting of bills not payable in the place where the banks are established, has a tendency to render the exchanges unfavourable.

If, for example, a country banker discounts bills payable in London, he issues his own notes for the amount at the time the bill is discounted, and some of these notes will get into the rival bank, and render the exchanges unfavourable. When the bills are due, the London agent receives the amount from the accepters; but this has no effect on the

local exchange. Hence a bank that discounts a large amount of London bills must expect to have large sums to pay in the exchanges. There are some cases, however, in which the discounting of London bills will not effect the local exchange: these are—1. When the amount of the bill is not taken in notes, but in a draft on the London or some other agents. 2. When the amount of the bill is placed to the party's current account, the exchanges will not be affected, so long as it remains on that account. 3. The exchanges will not be affected, if the notes issued for the London bill should be retired either by the bank that issued them, or by any of its agents.

2. If a bank has to pay a large amount, or letters of credit, issued upon it by its agents or branches, the exchanges may become unfavourable.

The exchange between any two banks may be affected by other circumstances than local connexions. If one bank is *drawn upon* by agents or branches, or has to pay notes issued by agents or branches, and the other has no such connexions, then the exchange will be unfavourable to the former bank and favourable to the latter. Some of these notes or letters of credit, and some of the notes issued for the letters of credit, will probably get into the possession of the rival bank, and appear in the exchange.

3. If a bank issues a large amount of bills, or letters of credit upon its agents or branches, the tendency is to render the exchange favourable.

The bank receives the money for these bills or letters at the time it issues them. This money will often be composed of the notes chiefly in circulation, and a part of them will consist of the notes or obligations of the rival bank, and will be paid in the exchange: or if the bank receive from its agents or branches any claims upon the rival bank, or even any bills to be collected, the effect will be to render the exchange favourable in the same way as the granting letters of credit upon those agents or branches.

4. The increase of lodgements on current accounts has a tendency to render the exchanges favourable.

On these accounts money is received and money is paid

out daily. The receipts of money tend to throw the exchange in favour of a bank, because some portion of these receipts will consist of the obligations of the rival bank. The payment of money tends to render the exchange unfavourable, because some of the notes issued in payment will find their way into the other bank. When, therefore, the receipts are more in amount than the payments, the exchanges are likely to be favourable. When the total deposits lodged in a bank continue to increase, the exchange will probably be favourable *during the progress of* such increase; but after the deposits have ceased to increase, the exchange will not be more favourable than before the increase began. As long as the amounts of the deposits in the respective banks remain stationary, the operations on those accounts will not affect the exchanges, although the deposits in one bank may be twice the amount of those in the other. But if, from a transfer of accounts or from other causes, the deposits increase in one bank and diminish in the other, the exchanges during these operations will be in favour of the bank whose deposits are on the increase. But let the progress of increase be over, and the amounts of the respective lodgements become permanently fixed, then, as far as the operations on the current accounts are concerned, the exchanges will again be equal.

5. An increase in the amount of local bills under discount has a tendency to render the exchanges unfavourable. Local bills are bills payable in the place where the bank is established. The operations on the local bill account are similar to those on the deposit account. When these bills are discounted, notes are issued—when the bills are paid, notes are received. When the amount of local bills paid is greater than that discounted, the tendency is to render the exchanges favourable. Thus, to reduce the amount of local bills under discount is to render the exchanges favourable; and to increase the amount, is to render them the reverse. But though the operations on the local bill account are similar in their nature to those on the current accounts, yet the effect is different as to their influence on the exchanges. For

as the amount of the local bills under discount increases, the exchanges become unfavourable; but as the deposits increase, the exchanges become advantageous. In the increase of local bills, the issue of notes will be more than the receipts; but in the increase of the deposits, the receipts will be more than the issues.

As the laws of the country circulation are the same, whether the notes are issued by private or by joint-stock banks, I have introduced the subject into this section on the Private Country Banks, and have altogether omitted it in the following section on the Country Joint-stock Banks.

SECTION V.

COUNTRY JOINT-STOCK BANKS.

By a clause in the charter of the Bank of England, no partnership formed for carrying on the business of banking could consist of more than six persons; but by an Act passed in the year 1826, co-partnerships of more than six in number are permitted to carry on business as bankers in England, *sixty-five miles from London*, provided they have no house of business or establishment as bankers in London, and that every member of such co-partnership shall be responsible for all the debts of the company. They must also deliver to the Stamp-office the names and places of abode of all their members, and also a list of their officers. These lists are to be copied into a book, which any person is entitled to see on paying one shilling, and to obtain a copy for ten shillings. The banks may sue and be sued in the name of their public officer, and execution upon judgment may be issued against any member of the co-partnership.

We take the following account of these banks from a Report of a Committee of the House of Commons, appointed in the year 1836 to inquire into the operation of the Act 7 Geo. IV. c. 46, for permitting the establishment of Joint-stock Banks:—

"The evidence taken before your committee, and the returns from the Stamp-office, establish the fact that these banks are rapidly extending in all directions; that new companies are daily forming, and that an increased number of branches and agencies are spreading throughout England, even in small towns and villages; that a principle of competition exists, which leads to the extinction of all private banks, and to their conversion into banking companies. The mode in which this is effected, and the principle on which the issue of transferable shares acts at once on private banks, and generally on commercial credit, is fully developed in the evidence.

"Your committee have had before them the deeds of settlement of the greater number of the existing joint-stock banks, and they proceed to submit to the House an analysis of some of their leading provisions.

"Though the general objects of these establishments are much alike, yet there are some variations in their deeds of settlement which it may be material to point out:—

"First, as to the power of altering the regulations of the company.

"The active duties are generally delegated to a small body called the directors, while the main body of proprietors reserve to themselves the power of selecting the directors, and of altering from time to time the rules by which the directors are to be governed. Indeed, it might have been expected that the proprietors would always have reserved to themselves this power; nor should this general rule have been noticed had it not been necessary to point out a single exception to it, in the case of one particular company, in which all the powers of the company are vested in the directors of the central bank, till January, 1838, and even after that date this authority is only to be controlled by the 'general board of directors,' consisting of the central directors themselves, and of the local directors of branch banks, appointed by them. The deeds of all the other companies expressly give a power to the shareholders to make new laws and regulations.

"Secondly, as to the mode of conducting the business of banking.

"This is for the most part set out in general terms. Some banking companies content themselves with defining the business to be, 'banking in all its branches;' in other cases, it is called 'the business of bankers.'

"Advancing money on real security is in no instance forbidden. The deeds of three companies are silent on the subject; the rest expressly allow it.

"The majority of the deeds are silent on the subject of the purchase of land. The _____ Banking Company expressly allows it. The _____ Banking Company and the Union Banking Company expressly forbid it.

"An advance of money on mining concerns is in no instance expressly

allowed; in many it is expressly forbidden; in the majority, it is passed over in silence.

"Advances of money upon any 'public foreign government stock, or the stock of any foreign chartered public company,' is directly sanctioned in the deeds of four banking companies. Investment in foreign government stock or funds is allowed by the deed of another bank. Such advances are expressly forbidden by many of the deeds, and are passed over in silence by many others.

"In no instance is the company forbidden to become the purchaser of its own shares; but, on the contrary, power is expressly given to do so by means of the deeds, and that to any amount. The only modifications of this power which your committee have found, are in the case of one banking company, in which the directors are authorized to purchase shares in the case only of a refusal to admit as a proprietor the person proposing to buy; and in the case of another bank, the number of shares to be bought in by the directors is restricted to forty.

"Thirdly, as to the degree of publicity to be given to the proceedings.

"No principle seems to be more attended to, or prominently put forward, than that of preserving secrecy as to the state of the accounts of the customers of the banks. To this principle there does not appear to be an exception.

"The directors are in general required to sign a declaration, pledging themselves to observe secrecy as to the transactions of the bank with their customers, and the state of the accounts of individuals. In some of the companies, this declaration is also to be signed by all the clerks and officers. One banking company goes so far as to require an oath to this effect. If the proprietors are dissatisfied with the statement of accounts made by the directors, a power is generally reserved to appoint auditors or inspectors for the examination of the books; but these auditors or inspectors are required to sign a similar declaration of secrecy.

"No proprietor, not being a director, is entitled to inspect any of the books of the company.

"The directors are in general bound to exhibit to the general meeting of the shareholders a summary or balance-sheet of their affairs, and to make such further statement or report as the directors may deem expedient and conducive to the interests of the company. In the case of one of these banks, even this is not obligatory by the terms of the deed, which leave it to the discretion of the directors whether they do or do not exhibit a balance-sheet. In a very extensive bank, the proprietors annually appoint auditors to examine the affairs of the company, and to report therein.

"In some of the companies the principle of secrecy is carried still further: two of the directors, selected from the rest, are the exclusive depositors of the power of inspecting the private accounts of customers. These persons are sometimes called 'confidential directors.' This pro-

vision is stated to be made 'in order that the credit and private transactions of individuals may be preserved inviolate.' Sometimes they are called 'managing directors;' sometimes 'special directors.' In other companies, though all the directors have the power of inspection of the accounts of customers, two of the directors are selected to inspect bills and notes, 'in order to prevent the exposure of such bills of exchange and promissory notes as may pass through the bank.' These two directors are called 'the bill committee.' In two of the companies, a single person, called 'the manager,' has the exclusive power of inspecting bills and notes.

"Fourthly, as to the terms on which the company is to be dissolved.

"The deeds of all these companies contain some provision for dissolution in certain contingencies. It is in general provided that a dissolution of the company shall take place by reason either of a certain amount of loss, or of a voluntary agreement. Dissolution by reason of loss in the great majority of the deeds is provided for in the following manner:—

"It is necessary to premise that the directors of each of these companies are bound to set aside a certain portion of the profits to form a fund to meet extraordinary demands, which fund is sometimes called the 'surplus fund,' sometimes the 'reserved fund,' but more usually the 'guarantee fund.' The ordinary provision for dissolution is to this effect:—That if the losses sustained shall at any time have absorbed the whole of this guarantee fund, and also one-fourth of the capital paid up, then any one shareholder may require the dissolution of the company, which shall take place accordingly, unless two-thirds in number and value of the shareholders shall be desirous of continuing the company and shall purchase the shares of those proprietors who wish to withdraw. In one bank the dissolution of the company takes place upon a loss of one-fifth instead of one-fourth of the capital. In two other banks no mention is made of the guarantee fund.

"The provision of the great majority of deeds, as above stated, is, that in the event of a given amount of loss, any one shareholder may propose the dissolution. In some, three shareholders are required. In the Banking Company A. the requisition for dissolution must be made by ten shareholders holding 200 shares; in the Bank B. by one-fourth of the company; but if the loss amount to one-half the capital, then by any single shareholder.

"By the general provisions of the great majority of deeds, the dissolution of the company, though duly proposed, may be averted by two-thirds of the proprietors; but in some there exists no such restriction; and on the occurrence of a given amount of loss, the dissolution, if proposed, must necessarily take place. In other instances, on the appearance of a given amount of loss, the dissolution is to take place immediately, even though no partner should propose it."

The following are the provisions of the Act 7 *&* 8 *Vict. c.* 113, *passed in* 1844, *to regulate Joint-stock Banks in England:—*

No Joint-stock Bank established after 6th May last to carry on business unless by virtue of Letters Patent granted according to this Act; but Companies previously established not restrained from carrying on business until Letters Patent have been granted.

"Whereas the laws in force for the regulation of co-partnerships of bankers in England need to be amended: Be it enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, That it shall not be lawful for any company of more than six persons to carry on the trade or business of bankers in England, after the passing of this Act, under any agreement or covenant of co-partnership made or entered into on or after the sixth day of May last past, unless by virtue of letters patent to be granted by her Majesty according to the provisions of this Act; but nothing herein contained shall be construed to restrain any such company established before the said sixth day of May, for the purpose of carrying on the said trade or business of bankers in England, from continuing to carry on the same trade and business as legally as they might have done before the passing of this Act, until letters patent shall have been granted to them severally on their application, as hereinafter provided, to be made subject to the provisions of this Act.

Company to Petition for Charter.

"II. And be it enacted, That before beginning to exercise the said trade or business, every such company shall present a petition to her Majesty in council, praying that her Majesty will be graciously pleased to grant to them letters patent under this Act; and every such petition shall be signed by seven at least of the said company, and shall set forth the following particulars; (that is to say,)—

"First, The names and additions of all the partners of the company, and the name of the street, square, or other place where each of the said partners reside.

"Second, The proposed name of the bank.

"Third, the name of the street, square, or other local description of the place or places where the business of the bank is to be carried on.

"Fourth, The proposed amount of the capital stock, not being in any case less than one hundred thousand pounds, and the means by which it is to be raised.

"Fifth, The amount of capital stock then paid up, and where and how invested.

"Sixth, The proposed number of shares in the business.

"Seventh, The amount of each share, not being less than one hundred pounds each.

Charter to be granted on Report of Board of Trade.

"III. And be it enacted, That every such petition shall be referred by her Majesty to the Committee of Privy Council for Trade and Plantations; and so soon as the Lords of the said committee shall have reported to her Majesty that the provisions of this Act have been complied with on the part of the said company, it shall thereupon be lawful for her Majesty, if her Majesty shall so think fit, with the advice of her Privy Council, to grant the said letters patent.

Deed of Settlement.

"IV. And be it enacted, That the deed of partnership of every such banking company shall be prepared according to a form to be approved by the Lords of the said committee, and shall, in addition to any other provisions which may be contained therein, contain specific provisions for the following purposes; (that is to say,)—

"First, For holding ordinary general meetings of the company once at least in every year, at an appointed time and place.

"Second, For holding extraordinary general meetings of the company, upon the requisition of nine shareholders or more, having in the whole at least twenty-one shares in the partnership business.

"Third, For the management of the affairs of the company, and the election and qualification of the directors.

"Fourth, For the retirement of at least one-fourth of the directors yearly, and for preventing the re-election of the retiring directors for at least twelve calendar months.

"Fifth, For preventing the company from purchasing any shares, or making advances of money, or securities for money, to any person on the security of a share or shares in the partnership business.

"Sixth, For the publication of the assets and liabilities of the company once at least in every calendar month.

"Seventh, For the yearly audit of the accounts of the company, by two or more auditors, chosen at a general meeting of the shareholders, and not being directors at the time.

"Eighth, For the yearly communication of the auditors' report, and of a balance-sheet, and profit and loss account, to every shareholder.

"Ninth, For the appointment of a manager, or other officer to perform the duties of manager.

"And such deed, executed by the holders of at least one half of the shares in the said business, on which not less than ten pounds on each such share of one hundred pounds, and in proportion for every share of larger amount, shall have been then paid up, shall be annexed to the petition; and the provisions of such deed, with such others as to her Majesty shall seem fit, shall be set forth in the letters patent.

No Company to commence Business till Deed executed and all the Shares subscribed for, and at least Half the Amount paid up.

"V. Provided always, and be it enacted, That it shall not be lawful for any such company to commence business until all the shares shall have been subscribed for, and until the deed of partnership shall have been executed, personally or by some person duly authorized by warrant of attorney to execute the same on behalf of such holder or holders, by the holders of all the shares in the said business, and until a sum of not less than one half of the amount of each share shall have been paid up in respect of each such share; and it shall not be lawful for the company to repay any part of the sum so paid up without leave of the Lords of the said committee.

Company to be Incorporated.

"VI. And be it enacted, That it shall be lawful for her Majesty in and by such letters patent, to grant that the persons by whom the said deed of partnership shall have been executed, and all other persons who shall thereafter become shareholders in the said banking business, their executors, administrators, successors, and assigns respectively, shall be one body politic and corporate, by such name as shall be given to them in and by the said letters patent, for the purpose of carrying on the said banking business, and by that name shall have perpetual succession and a common seal, and shall have power to purchase and hold lands of such annual value as shall be expressed in such letters patent; and such letters patent shall be granted for a term of years, not exceeding twenty years, and may be made subject to such other provisions and stipulations as to her Majesty may seem fit.

Incorporation not to limit the Liability of the Shareholders.

"VII. Provided always, and be it enacted, That notwithstanding such incorporation the several shareholders for the time being in the said banking business, and those who shall have been shareholders therein, and their several executors, administrators, successors, and assigns, shall be and continue liable for all the dealings, covenants, and undertakings of the said company, subject to the provisions hereinafter contained, as fully as if the said company were not incorporated."

By the 48th section of this Act, "Every company of more than six persons carrying on the trade or business of bankers in England, shall be deemed a trading company within the provisions of an Act passed in this session of Parliament, intituled 'An Act for facilitating the winding-up the affairs of Joint-stock Companies unable to meet their pecuniary engagements.'"

This Act is the 7 & 8 Vict. cap. 111 (September, 1844), and it renders all joint-stock companies subject to the law of bankruptcy. It may be presumed, from the number of regulations prescribed by the Act, that the process of bankruptcy must, in the case of a banking company, be both tedious and expensive.

In the year 1848 an Act was passed (11 & 12 Vict. cap. 45) to amend the Acts for facilitating the winding-up the affairs of joint-stock companies unable to meet their pecuniary engagements, and also to facilitate the dissolution and winding-up of joint-stock companies and other partnerships. The legal title of this Act, to distinguish it from other Acts, is "The Joint-stock Companies' Winding-up Act, 1848."

The object of this Act is to enable the directors of an insolvent company to compel the shareholders individually to pay their proportion of the loss. There was previously much difficulty in doing this. If all the nominal capital had been called up, the directors could make no further calls. In cases where they had the power of making calls, these calls could not be enforced without an appeal to the Court of Chancery. It was therefore customary for the directors to "confess judgment" to some creditor, and this creditor brought actions against the refractory shareholders for the whole amount of his claim, but granted a release on receiving that sum which the shareholders ought justly to pay, in proportion to their shares.

By this Act the directors or any shareholder of a company that has stopped payment, may present a petition to the Lord Chancellor, or to the Master of the Rolls, in a summary way, for the dissolution and winding-up of the company. If the order be granted, it is referred to a Master in Chancery, who will appoint an official manager to wind up the affairs of the company. The official manager is to collect all the debts due to the company, and to pay all its creditors. With the consent of the Master he can make calls on the shareholders, for such amounts, and payable at such times, as the Master may direct. The company is to sue and be sued in the name of the official manager. The object of the Act, however, is

rather to settle disputes and claims of the shareholders among themselves, than to protect them against their creditors. Clause 58 has an especial provision with reference to this subject:—

Act not to affect Rights of Creditors nor existing Contracts.

"LVIII. Provided always, and be it enacted, That, except as is by this Act expressly provided, nothing in this Act contained, nor any petition or order under the same for the dissolution and winding-up or for the winding-up of any company, shall extend or enlarge, diminish, prejudice, or in anywise alter or affect the rights or remedies of creditors, or other persons not being contributories of the company, or the rights or remedies of creditors being also contributories, but being creditors of the company upon a distinct and independent account, whether against the company or against any of the contributories of the same, nor the rights or remedies of the company against any contributories or other persons, nor shall alter or affect any contracts or engagements entered into by or with the company, or any person acting on behalf of the same, previously to any such petition, nor any actions, suits, or other proceedings pending at the date of such petition."

The Committee of Deputies.

We shall close our account of the Country Joint-stock Banks by some notice of the proceedings of the Committee of Deputies from the Joint-stock Banks.

A General Meeting of Deputies from the Joint-stock Banks of England, Wales, and Ireland, was held at the Union Hotel, Cockspur-street, on November 21st, 1838, and the following resolutions were unanimously passed:—

"That experience has proved that the system of Joint-stock Banking established in this country has been productive of great national advantages, and is therefore entitled to legislative protection and encouragement.

"That it is the opinion of this meeting that the laws affecting Joint-stock Banks require amendment.

"That to effect this object a committee be appointed to communicate with her Majesty's government, to watch over such measures as may be introduced into Parliament, and to promote the passing of such laws as may be beneficial to Joint-stock Banks and to the public.

"That the chairman be requested to communicate with the First Lord of the Treasury and the Chancellor of the Exchequer, on the subject of the present meeting, with a view to obtaining an interview with them, to learn the intentions of the government respecting Joint-stock Banks."

In pursuance of the last resolution, the chairman, Mr. P. M. Stewart, and above forty deputies of the Joint-stock Banks, had an interview with Lord Melbourne, the Chancellor of the Exchequer, and the President of the Board of Trade.

Mr. Stewart stated that the deputies then in the room represented a large number of Joint-stock Banks in various parts of the country, from Cumberland to Cornwall, that they complained as a grievance that the report of the Parliamentary committee in 1836 had stated that the existing law was imperfect, and yet nothing had since been done to remedy it, but that the banks had been kept in a state of suspense. Although the banks had gone on prosperously since that period, notwithstanding the defects of the law, yet it was desirable that those defects should be remedied. They were now desirous of knowing whether the government intended to supply those deficiencies in the law which were alluded to in the report of 1836.

Lord Melbourne stated that the law, if defective, ought certainly to be remedied—that it was important to the banks and to the country that any existing defects of the law should be removed. He could not state positively that the government would introduce a bill next session; for even if such a bill had been prepared, circumstances might occasion its postponement; but the government was fully alive to the importance of the question, and would at all times be ready to receive any suggestions upon the subject from the committee of deputies.

The Chancellor of the Exchequer * said, that the Joint-stock Banks had lost nothing by the delay that had taken place in amending the law. Had any bill been introduced into Parliament in 1837, after the stoppage of the Northern and Central Bank, when public feeling was in a state of excitement, the

* Mr. Spring Rice, now Lord Monteagle.

alterations in the law might have been more unfriendly towards the Joint-stock Banks than they would be at present. At the same time there had been no delay in remedying the law in cases of urgent importance. The bill respecting clerical partners, and that authorizing Joint-stock Banks to sue their own shareholders, were passed through Parliament with unusual rapidity. Far from the government being inimical towards the Joint-stock Banks, there was every anxiety to protect their interests.

Mr. Poulett Thomson* stated that the deputies had passed a resolution that the laws affecting Joint-stock Banks required amendment. Let their committee lay before the government their views as to the points on which amendment was required, and then they would be taken into consideration.

Mr. Stewart said, that although the Joint-stock Banks were willing to afford the goverment every information, yet they trusted that the bill would be initiated into Parliament and brought forward as a government measure. To this the ministers seemed to assent, but added, that as the deputies must be best acquainted with their own business, they had better furnish the government with their own opinions as to the defects of the laws, and this ought to be done as early as possible.

Mr. Stewart acquiesced in this proposal, and then asked if the government would lay before the committee any bill they might frame before they introduced it into Parliament. The ministers replied that such a course would be unusual, but that the Joint-stock Banks should not be taken by surprise.

The following communications subsequently passed between the Committee and the Government:—

"To the Right Honourable Lord Viscount Melbourne,
"First Lord of Her Majesty's Treasury, &c., &c.

"My Lord, 9, *Waterloo Place, Pall Mall, Jan.* 30, 1839.

"When the Committee of deputies of Joint-stock Banks had the honour of an interview with your lordship, the Chancellor of the Exchequer, and the President of the Board of

* Afterwards Lord Sydenham.

Trade, your lordship expressed a wish, that the committee would lay before her Majesty's government those amendments which the committee deemed desirable with regard to the laws affecting such banks.

"With this object in view, the committee addressed a circular letter to the directors of every Joint-stock Bank in England, Wales, and Ireland, soliciting information as to any defects in the law, which had been experienced in the working of their respective banks. From the replies which have been received to this circular, and from other sources, the committee have obtained information sufficient, as they think, to enable them to lay before your lordship the opinions generally entertained by the Joint-stock Banks as to the practical defects of the law.

"The committee have taken into consideration the important suggestions of the Parliamentary committee of 1836. So far as the objects proposed in the report refer to producing uniformity in deeds of settlement—the adoption of means to insure that the persons, registered at the Stamp Office, are *bonâ fide* proprietors—and the giving greater publicity to the names of the shareholders, the committee concur in its suggestions. The committee also fully concur in the sentiments of the royal speech of 1837, that, 'The best security against mismanagement in banking affairs, must ever be found in the capacity and integrity of those who are intrusted with their administration.'

"The committee will now proceed to state those imperfections in the present law which have been found practically inconvenient to the Joint-stock Banks.

"First.—The banks are unanimous in desiring some alteration of the law of partnership. It is not extraordinary that laws originally framed with reference to partnerships of only a few individuals, should be found inapplicable to partnerships of several hundred persons. In the course of last session the attention of government was called to two points of vital importance: one relating to clerical members of Joint-stock Banks; the other to the powers of such banks to sue their own shareholders; and in both cases the banks have to ac-

knowledge the promptitude of her Majesty's ministers in proposing and carrying through Parliament the remedial measures that were necessary. The act relating to clerical members of Joint-stock Banks has since been rendered permanent by the Benefices in Plurality Act (1 and 2 Vict. cap. 106). The other act (1 and 2 Vict. cap. 96), enabling Joint-stock Banks to sue their own shareholders, will expire in the next session of Parliament. The chief points to which the banks have requested the attention of the committee, with reference to the law of partnership, are the following, viz.—

"1st.—That the law should render permanent the act 1 and 2 Vict. cap. 96, enabling Joint-stock Banks to sue their own members.

"2nd.—That the law should enable Joint-stock Banks to prosecute criminally any shareholder who shall be guilty of a fraud upon the company.

"3rd.—That the law should permit any shareholder to appear as an evidence in a cause in which the company may be either plaintiff or defendant, or in any criminal proceedings at the instance of the company.

"4th.—That the law should more explicitly declare that no shareholder who is not duly authorized shall have the power of binding the company, and should render it penal to make the attempt.

"5th.—That the law should more explicitly declare that legal notices shall be valid only when served on the principal officer of the company, or addressed to him officially at its head office.

"6th.—That the law should declare that no shareholder shall, *as such*, be liable to the operation of the laws of bankruptcy.

"7th.—That the law should permit an assignee to a bankrupt's estate to lodge the money, with the consent of the creditors, in a Joint-stock Bank in which the assignee may be a shareholder.

"There are some other minor points connected with the law of partnership, with which the committee will not now

trouble your lordship, but which they will be prepared to state when her Majesty's government shall determine upon introducing the subject to the notice of the legislature.

"Secondly.—The banks complain of some uncertainty of the law, with regard to liens upon shares. In most of the deeds of settlement there is a clause which empowers the banks to hold the shares as security for any debt due by a shareholder. This practice is sanctioned by the highest legal opinions, and the committee entertain no doubts of its validity. But an opinion has been given to the contrary; and the banks think it desirable that their power to maintain such liens, whether provided for in the deed or not, should be placed beyond dispute.

"Thirdly.—Different legal opinions have been given with regard to the amount of stamp duty required upon the transfer of shares. Some are in favour of an *ad valorem* stamp duty,—others of a transfer stamp of thirty shillings. As each bank has followed its own legal adviser, the practice of the banks varies in this respect, and it seems desirable that the law should be rendered more explicit on this subject in favour of the transfer stamp.

"Fourthly.—In addition to these defects of the law, common to all Joint-stock Banks, those banking companies that are located in London, and within sixty-five miles, complain that the legislature has not given them the power of suing their debtors, nor of being sued by their creditors, through the medium of their public officers. In making this complaint they are sanctioned by the House of Commons, who, by large majorities, passed a bill in 1834, for giving this privilege to one of the London Joint-stock Banks. They complain, also, that the recent interpretation given to the doubtful reading of an Act of Parliament, has deprived them at present of the power of accepting bills drawn at less than six months after date. As the Act of Parliament passed in 1833, expressly authorized banks having more than six partners to carry on the business of banking in London, it would appear reasonable to infer that the Act was intended to authorize all the usual modes by which this business is

carried on; and the accepting bills drawn at shorter dates than six months is a part of the business of London bankers. If, however, it be the law that any bank of only six partners has a privilege, which is denied to a bank of six or eight hundred partners, it is certainly a law that requires amendment.

"Fifthly.—The Joint-stock Banks in Ireland are subject to peculiar grievances—no such bank beyond fifty miles from Dublin can either draw or accept bills for a less sum than fifty pounds, nor for any sum upon demand; and those located in Dublin, or within fifty miles Irish, cannot either accept or draw bills at all. Hence a Dublin Joint-stock Bank cannot accept the bills of any party at Belfast or elsewhere, to whom it may be agent, nor can it draw bills on its own agent in London. Another grievance is, that these banks cannot sue and be sued by their public officer in the same way as banks located beyond fifty miles from Dublin; but, like those in London, they are obliged to have recourse to the expedient of appointing trustees. Several of the provisions of the old Banking Act, passed in Ireland in the year 1759, are also supposed to be still in force, and applicable to Joint Stocks. The Bank of Ireland, too, is the only Joint-stock Bank that has the privilege of issuing notes in Dublin and within a circle of fifty miles. The grievances that press so heavily on the Irish banks appear more galling when compared with the state of the law with regard to Joint-stock Banks in Scotland; and it seems reasonable and desirable that the law in both countries should be rendered the same.

"Several of the banks have made other suggestions which the committee think may be adopted with advantage to the banks and to the public. But the committee have determined to mention nothing that shall have the appearance of asking for privileges. The removal of practical grievances is the only object of the committee, and they trust that her Majesty's government will see the necessity of bringing the laws affecting Joint-stock Banks under the early consideration of the legislature.

" On the part of the committee of deputies of Joint-stock Banks,

" I have the honour to be, my lord,

" Your lordship's obedient servant,

(Signed) " P. M. STEWART, *Chairman.*" *

Instead of stating in detail the proceedings of the Committee, I shall give a summary of the alterations that were obtained in the laws referring to Joint-stock Banking, as I have recorded them in my *Logic for the Million.*

" This mode of reasoning from written documents, so far as it refers to the laws of our country, will, perhaps, be best explained by a practical illustration. And for this purpose we shall notice the legal decisions that have taken place with reference to joint-stock banking.

" At the renewal of the Bank of England Charter, in the year 1708, a clause was introduced which prohibited any other company, consisting of more than six persons, ' to borrow, owe, or take up any sum or sums of money on their bills or notes, payable on demand, or at a less time than six months from the borrowing thereof.'

" This clause, intended to prohibit the issue of notes, was supposed to prevent the formation of any banks consisting of more than six persons, even should they not issue notes.

" But in the year 1833, when the Bank Charter was about to be again renewed, a doubt arose as to whether this was the meaning of the law. The Chancellor of the Exchequer, Lord Althorp, required the opinion of the Attorney and the Solicitor-General, who stated that the law did not prohibit the formation of banks having more than six partners, provided they did not issue notes. Two other counsel of equal eminence gave their opinion the other way. To remove all doubts, a clause was ultimately introduced, which '*declared* and enacted,' that such companies might be formed. Here was an instance of the uncertainty of the law being removed, not by an appeal to the judges, but by a declaratory enactment.

* This letter, and all the other public documents of the committee, though signed by Mr. Stewart, as chairman, were written by myself.

"The law having thus sanctioned the establishment of joint-stock banks in London, a joint-stock bank was formed, and, like other banks in London, accepted bills of exchange drawn by it country connexions. But the Bank of England alleged that this was a violation of the above prohibition against 'borrowing, owing, or taking up money,' &c. Here the reasoning was on the relation of genus and species. The words prohibited a certain class of actions, and the question was, whether accepting bills, as well as issuing notes, was included in the prohibited class. The law decided that it was; and an injunction was obtained in 1837, prohibiting the acceptance of all bills drawn at less than six months after date. In the year 1844, an Act of Parliament granted to such banks the same privileges as are exercised by private bankers.

"The lawyers have always maintained that a strict analogy exists between private partnerships and public companies. The only difference, they contend, is in the number of the partners. And hence the laws passed originally with reference to small partnerships they think ought to be applied to large partnerships. From this cause has arisen much litigation, and many appeals to the Government to amend the laws. In the following cases, the appeals have been successful.

"The law requires that the names of all the partners in a firm that is either plaintiff or defendant in a suit, should be placed on the record. When joint-stock banks were first allowed in England, in 1826, beyond sixty-five miles from London, they were allowed to sue or be sued in the name of one or two partners, who were registered for that purpose at the Stamp Office. But this privilege was not granted to the banks formed in London. Hence, previous to 1844, those banks were compelled to make a special agreement with every customer, whereby he held himself answerable personally to the trustees for any sum he might become indebted to the bank.

"It is against the law for any clergyman to be a trader. Several clergymen became shareholders in joint-stock banks. It was contended, and successfully, that the clergyman having

become a partner in a trading company, was a trader. The company was therefore illegal, and consequently could neither sue nor be sued in a court of law. An act of parliament was obtained to remedy this defect.

"The Northern and Central Bank at Manchester had occasion to sue for debt some of its own shareholders. No private partnership can sue a member of its own firm. It was held that the same rule held in regard to joint-stock banks. The action was lost. But the Chancellor of the Exchequer, Mr. Spring Rice (now Lord Monteagle), brought in an act of parliament to meet the case.

"The manager of a joint-stock bank at Walsal was tried for robbing the bank of about 7,000*l.* At the trial it was shown that he was a partner in the company. His advocate contended that he was a joint owner of the property, and therefore could not be guilty of robbery. The judge took the same view, and he was acquitted. This evil, too, was amended by a new act of parliament.

"Lord Denman brought in an act for allowing shareholders in joint-stock banks, and other parties in similar circumstances, to be examined as witnesses. (6 & 7 Vict. c. 86.) It was enacted, that 'no person should be excluded by reason of incapacity from crime *or interest* from giving evidence' in a court of law. But the act contained a *proviso* that excluded the plaintiff himself. An action was brought by a public company, and one of the witnesses was a shareholder in the company. The question was raised, whether he could be legally examined as a witness. The Court of Exchequer decided that he could not. Thus a shareholder in a public company was considered to be the same as a partner in a private firm. So far, therefore, as concerns the shareholders in joint-stock banks, this *proviso* annihilated the act.

"By the Act to Amend the Law of Evidence (14 & 15 Vict. c. 99), passed in the Session of 1851, the proviso in Lord Denman's Act is repealed, and the shareholders in joint-stock banks, and in all other public companies, may be examined as witnesses even in cases where those companies may be either plaintiffs or defendants."

Since the passing of the Act of 1844, the Committee of Deputies have had but few communications with the Government. The most important occurred in the year 1855, upon the proposal of the Chancellor of the Exchequer to lay a tax upon bankers' cheques. We take the account from the *Bankers' Magazine.*

In consequence of the Chancellor of the Exchequer having introduced a bill into Parliament, imposing a stamp duty of one penny on all cheques drawn on bankers, a meeting of the London committee of deputies from the joint-stock banks of England, Wales, and Ireland, was held at the London Tavern, on the 27th of April, present—Joshua Walker, Esq., a director of the London and Westminster Bank, and chairman of the board of directors of the Sheffield and Rotherham Bank, in the chair; J. F. Chowrie, Esq., a director of the Commercial Bank of London; James W. Gilbart, Esq., general manager of the London and Westminster Bank; G. Pollard, Esq., manager of the London Joint-stock Bank; W. W. Scrimgeour, Esq., manager of the Union Bank of London; Henry Luard, Esq., manager of the London and County Bank; Daniel Robertson, Esq., manager of the National Provincial Bank of England; and the undermentioned managers—viz., Mr. Rae, manager of the North and South Wales Bank, Liverpool; Mr. Wilson, manager of the East of England Bank, Norwich; and Mr. Cobb, manager of the Hull Banking Company—being in London, attended the meeting. The following resolutions were adopted:—

"1. That the deposit system of banking, which enables individuals to place money in banks, and to make all their payments by cheques, is beneficial to the depositors themselves, to the banks, and to the community at large.

"2. That the introduction of joint-stock banks has greatly extended this system, and brought its advantages within the reach of the less wealthy classes of society.

"3. That the efficiency of this system would be greatly impaired, and its progress arrested, by the imposition of a tax of one penny upon each cheque; the inducement to open banking accounts will be done away with; the public will be

driven to the use of notes and coin, and become their own bankers; money will be thus hoarded, and the country will be thrown back upon a system which prevailed a century ago, without any commensurate advantage to the revenue.

"4. That the tax, being equal upon cheques of all amounts, will proportionably press most severely upon those depositors who draw cheques for small sums; and these classes, having most occasion to regard small savings, will be the most likely to close their accounts.

"5. That in proportion as this tax shall cause money to be withdrawn or withheld from the banks, in such proportion will capital be rendered unproductive, individuals will be inconvenienced, pecuniary transactions will be obstructed, robberies will be facilitated, and demands created for additional currency, either in bank notes or gold, while the banks will find their operations materially restricted, and their means curtailed of affording facilities to commerce, or of sustaining the financial operations of the Government.

"6. That, therefore, in the opinion of this committee, the imposition of the proposed tax ought to be strenuously resisted, both by the banking interest and the public; and that a copy of these resolutions be respectfully transmitted to the Right Honourable the Chancellor of the Exchequer, and forwarded to every joint-stock bank in the United Kingdom."

After this meeting, the committee requested an interview with the Chancellor of the Exchequer, who appointed the 1st of May for that purpose, when a deputation, introduced by Mr. Masterman, M.P. for London, stated to the Chancellor the inconveniences that would result from the adoption of the measure he had proposed.

Afterwards, Mr. J. L. Ricardo, M.P., a director of the London and Westminster Bank, gave notice in the House of Commons that, on the second reading of the Stamp Duties Bill, he would move the following resolution:—

"That the deposit system of banking, which economises the circulation, and enables individuals to place money in banks, and to make their payments by cheques, is a public

advantage, and any measure tending to disturb its operation, or to impede its extension, is unwise and impolitic."

Upon the second reading, the Chancellor of the Exchequer withdrew his proposition in the following terms:—

"The Chancellor of the Exchequer * said he had received, since he had made his statement to the House respecting a penny stamp on bankers' cheques, various communications from bankers and others, stating certain objections to the imposition of that duty. It was represented to him that the operation of the duty would be to discourage, to a great extent, banking and trade, by preventing customers from drawing cheques to a small amount, such as cheques for 10*l.* and 5*l.* It was stated that small traders especially were accustomed to deal largely in these small cheques, and that they were thereby enabled both to economise and keep their accounts in a more regular manner. He confessed he had been under the impression that the general average of cheques drawn on bankers was considerably above sums of 5*l.* or 10*l.*, but from the evidence laid before him he could not doubt that, in London particularly, the practice of drawing cheques for small sums prevailed to a very great extent, and that it was on the increase (hear). It could scarcely be doubted, then, that the imposition of a penny stamp on such cheques would operate as a discouragement to banking and trade, and it had accordingly been suggested that he should exempt small cheques from the duty. If that suggestion was adopted, however, it would lead to a very complex state of the law. On cheques drawn from a distance of more than 15 miles, a stamp duty of 1*d.* would have been levied; but with regard to cheques drawn within a distance of less than 15 miles, there would then be a double class—for cheques above 10*l.* a penny stamp, and for those below 10*l.* no stamp whatever. This would cause great inconvenience; and, moreover, the difference with respect to amount would open an easy means of evasion, as people would be induced to draw several cheques for sums below 10*l.* to pay sums of 30*l.* or 40*l.* (hear). In imposing any new charge on the public, it was most important to avoid anything that would interfere with the operations of trade; and having therefore given the best consideration in his power to the facts which had been presented to him as the probable result of the proposed alteration of this stamp duty, and looking at the present state of our finances, and the fact that he had deemed it prudent to leave a sufficient margin to meet contingent expenditure—looking at these different considerations, he had come to the conclusion that, on the whole, it would be better not to proceed at present with the proposition. or to urge it further upon the House (hear, hear). He had taken the produce of the duty at 200,000*l.*; but he had been told by some persons that it would probably amount to 700,000*l.* Such an estimate was

* Sir George Cornewall Lewis, Bart.

not very consistent with the assertion that the duty would operate to discourage drawing cheques. On the other hand, he had been informed that he should lose in receipts to a greater extent than he should gain on cheques. He should not go into an investigation as to the comparative exactitude of these rival estimates, but would only say that he did not consider the present state of the finances such as made it incumbent on him to urge the bill further. He therefore moved that the order for the second reading of the bill be discharged."*

SECTION VI.

THE BANKS OF SCOTLAND.

In this Section we shall consider the following topics:—

I. The Law of Scotland with reference to Banking.
II. A Comparison between the Banks of Scotland and those of England.
III. The existing Banks of Scotland.†
IV. The Laws of the Currency with reference to Scotland.
V. Those operations of the Scotch Banks that refer to the system of Cash Credits, Interest on Deposits, Remittances to India, and the settlement of the Exchanges.
VI. The Exchange Banks and Exchange Companies.

I.—*The Law of Scotland with reference to Banking.*

The general provisions of the law of Scotland bearing upon this subject, are calculated to promote the solidity of banking establishments.

1. There is no limitation to the *number* of partners.

2. The *private fortune* of every partner is answerable for the debts of the bank.

3. *Land*, as well as other property, *may be attached* for debt.

4. In Scotland *all Land is registered;* so it is easy for any individual, by referring to the records, to ascertain what landed property is possessed by the partners of the bank, and

* By subsequent enactments, banking cheques have been made subject to a duty of one penny.

† Omitted in this edition.

also whether or not it be mortgaged. The following is the language of the Report of the Committee of the House of Commons, appointed in 1826 to consider the expediency of abolishing all notes under 5*l.* :—

"There is no limitation upon the number of partners of which a banking company may consist; and, excepting in the case of the Bank of Scotland, and the two chartered banks, which have very considerable capitals, the partners of all banking companies are bound jointly and severally, so that each partner is liable to the whole extent of his fortune for the whole debts of the company.

"A creditor in Scotland is empowered to attach the real and portable, as well as the personal estate of his debtor, for payment of personal debts, among which may be classed debts due by bills and promissory notes; and recourse may be had for the procuring payment to each description of property at the same time. Execution is not confined to the real property of a debtor merely during his life, but proceeds with equal effect upon that property after his decease.

"The law relating to the establishment of records gives ready means of procuring information with respect to the real and heritable estate of which any person in Scotland may be possessed. No purchase of an estate in that country is secure until the seisine (that is, the instrument certifying that actual delivery has been given) is put on record; nor is any mortgage effectual until the deed is in like manner recorded.

"In the case of conflicting pecuniary claims upon real property, the preference is not regulated by the date of the transaction, but by the date of its record. These records are accessible to all persons; and thus the public can with ease ascertain the effective means which a banking company possesses of discharging its obligations, and the partners in that company are enabled to determine with tolerable accuracy the degree of risk and responsibility to which the private property of each is exposed.

"There are other provisions of the law of Scotland which it is not necessary minutely to detail, the general tendency of which is the same with those above mentioned."

The following Acts of Parliament have been passed in reference to banking in Scotland :—

"The first notice of banking in Scotland which occurs in the statute-book, is an Act of King William the Third, passed in the year 1695, under which the Bank of Scotland was established. By this Act an exclusive privilege of banking was conferred upon that bank, it being provided, 'that for the period of twenty years from the 17th July, 1695, it should not be lawful for any other person to set up a distinct company or bank within the kingdom of Scotland, besides those persons in whose

favour this Act was granted.' No renewal of the exclusive privilege took place after the expiration of the twenty-one years.

"The Bank of Scotland first issued notes of 20*s.* in the year 1704; but the amount of notes in circulation previous to the Union was very limited.

"The Bank of Scotland continued the only bank from the date of its establishment in 1695, to the year 1727.

"In that year a charter of incorporation was granted to certain individuals named therein, for carrying on the business of banking under the name of the Royal Bank; and subsequent charters were granted to this establishment, enlarging the capital, which now amounts to one million and a half.

"An Act passed in the year 1765, is the first and most important Act of the Legislature, which regulates the issue of promissory notes in Scotland.

"It appears from its preamble, that a practice had prevailed in Scotland, of issuing notes which circulated as specie, and which were made payable to the bearer on demand, or payable at the option of the issuer at the end of six months, with a sum equal to the legal interest from the demand to that time.

"The Act of 1765 prohibits the issue of notes in which such an option as that beforementioned is reserved to the issuer. It requires that all notes of the nature of a bank note, and circulating like specie, should be paid on demand; and prohibits the issue of any promissory note of a sum less than 20*s.*

"With respect to the issue of promissory notes in England, an Act was passed in 1775, prohibiting the issue of any such notes under the sum of 20*s.* And in the year 1777, restraints were imposed by law on the issue of notes between the sum of 20*s.* and 5*l.*, which were equivalent to the prohibition of such notes circulating as specie.

"In the year 1797, when the restrictions as to payments in cash were imposed upon the Bank of England, the provisions of the Act of 1777, with regard to the issue of notes between 20*s.* and 5*l.* were suspended. By an Act passed in the third year of his present Majesty, the suspension was continued until the 5th of January, 1833; but now stands limited by an Act of the present session to April 5, 1829."

"The general result of the laws regulating the paper currency in the two countries is this:—

"That in Scotland, the issue of promissory notes payable to bearer on demand for a sum of not less than 20*s.* has been at all times permitted by law, nor has any Act been passed limiting the period for which such issue shall continue legal in that country. In England, the issue of promissory notes for a less sum than 5*l.* was prohibited by law from the year 1772 to the period of the bank restriction in 1797. It has been permitted since 1797; and the permission will cease as the law at present stands, in April, 1829."

The Act which now regulates the issue of bank notes in Scotland is 8 & 9 Vict. c. 38, passed in the year 1845.

By this Act, the power of issuing notes is confined to those banks that issued notes in the year preceding the 1st day of May, 1845. And the amount to which each bank may issue is not to exceed the average amount of notes it had in circulation during the year ending the 1st of May, 1845, and the amount of gold or silver coin it may at the time have in possession at the head office or principal place of issue, in the proportion that the silver shall not be more than one-fourth the amount of the gold.

This Act was to come into operation on the 6th day of December, 1845. After which day each banker is to make weekly returns to the Stamp-office of his notes in circulation, and of the gold and silver coin on hand; and the averages of four weeks are to be published in the *London Gazette*, with a certificate from the commissioner as to whether the bank has held the amount of coin required by this Act.

All banks, except the Bank of Scotland, the Royal Bank of Scotland, and the British Linen Company, are required to send to the Stamp-office, between the 1st and 15th days of January, inclusive, the names of all their partners, which shall be published by the 1st day of March following, in some newspaper circulating within each town or county respectively in which the head office or principal place of issue of such bank is situated.

Bank of England notes are not to be a legal tender in Scotland.

In the Acts of Parliament passed in 1844 and 1845 for Regulating Banks of Issue in England and in Scotland, we may observe the following differences:—

1. The maximum of the circulation in England is the average of the twelve weeks ending the 27th of April, 1844. The maximum in Scotland is the average of the year ending the 1st day of May, 1845.

2. The English banks are not, under any circumstances, allowed to exceed the fixed limit. The Scotch banks are allowed to exceed their limit, provided they hold in their

coffers at the head office an amount of gold and silver equal to such excess.

3. In England, should two joint-stock banks of issue effect a junction, the circulation of one of them would be forfeited,* and the united bank could issue only to the amount which the other bank had previously issued. In Scotland, the united bank is allowed to issue to the amount of the two circulations added together.

4. In Scotland, notes under 5*l.* are still permitted. In England, notes under 5*l.* are still prohibited.

II.—*A Comparison between the Banks of Scotland aud those of England.*

The differences between the English and the Scotch banks are the following:—

1. The Scotch banks are all joint-stock banks. In England there is a mixture of joint-stock and private banks.

2. The Scotch banks are nearly all banks of issue. In England there are many, both private and joint-stock banks, that are not banks of issue.

3. The Scotch banks generally have branches. In England most of the private banks, and some of the joint-stock banks, have no branches.

4. The Scotch banks universally grant interest on the balance of current accounts—a practice not universally adopted in England, especially in London.

5. The mode of making advances by way of "cash credit" is general in Scotland, but very rare in England.

* There is no express provision in the English Act with reference to the junction of two joint-stock banks. We consider that only one of the banks would lose its issue, *provided* the continuing bank retained its original title, so as not to create a new bank. But if by the union a new bank should be formed, then both the banks would lose their issues. In the same way, we think that the union of an issuing and a non-issuing bank would cause no change in the issue. But then the new bank must retain the title of the old issuing bank. Its right of issue would not be affected by taking new directors or new shareholders.

We may also observe some other differences, chiefly of a business character, which have an important bearing on the interest of the community.

1. The banks of Scotland have generally a large paid-up capital.

"Two great errors appear to have been committed in the formation of joint-stock banks in England, and, until these are remedied, such establishments can hardly expect to reach a higher degree of importance or credit than is attainable by a wealthy private bank. These evils are, in the first place, too small a capital relatively to the extent of business undertaken; and, in the next place, the circumstance of the issues of the joint-stock banks being left uncontrolled by any effective system of *exchange*."

"The advantage of a small capital in banking is, that it enables the establishment, if at all successful in business, to pay a large dividend. The profits of banking depend, in a great measure, on the amount of deposits and circulation, and, according as these are great or small compared with the extent of the capital, will the company be enabled to divide a larger or smaller dividend. It therefore becomes the obvious policy of those establishments, the managers of which conceive that the success of a bank is proved by the early payment of a high dividend, to keep the capital of the company within the narrowest possible limits. This system has been carried to the utmost extreme in England; and hence, although large dividends have been paid to the shareholders, there has been no corresponding increase of confidence on the part of the public.

"The Scotch banks, on the other hand, have pursued a directly opposite course. Their object has been to secure public confidence by the extent of their capital, and they have continued to pay moderate dividends to their shareholders, until justified in augmenting them by years of success, and a large accumulated sinking-fund. So well, indeed, is this system understood, and so completely has it attained its purposes, that the slightest appearance of improvidence displayed by a Scotch joint-stock bank, in fixing the amount of its dividend, has been invariably attended with a decrease of the public confidence in the stock of the establishment. In this manner public confidence has been secured, the value of Scotch bank stock has risen in the market, and the shareholders have received their extra profits as a *bonus*, or in the increased value of their own shares. Thus, instead of being looked upon as establishments aiming at the ephemeral advantage of making a large dividend, for stock-jobbing or temporary purposes, our banks have almost invariably assumed the character of permanent national establishments, identified with the prosperity of the country, and by means

of their small-note circulation, conferring benefit on, as well as obtaining the confidence of, every class in the community."*

2. In operating on his current account, it is not the general practice in Scotland for a customer to draw cheques on the bank for his individual payments, nor to accept bills payable at the bank. If he has to make twenty payments in the course of the day, he will go to the bank in the morning, and draw out in one sum a sufficient amount of notes to make all these payments. On the other hand, if a customer should receive money from twenty different people in the course of the day, he will not receive cheques, as there are none in circulation, but bank notes, which at the close of the day he will pay in one sum into the bank. In England, all these receipts and payments would be made in cheques, each having probably odd shillings and pence. From this cause, the trouble and expense to a bank of conducting a current account is much greater in England than in Scotland.

A few years ago an attempt was made to form a bank, to be called the Dunedin Bank of Scotland. One of the advantages it held out to the public was the adoption of the English system of drawing cheques for individual payments. The advantages of this system are pointed out in the following terms:—

"Another prominent feature of the proposed institution, is the proposal to take in and pay out for customers 'any sum, however small.' Though troublesome to the bank, such a measure must be of incalculable convenience to parties dealing with it. Here, again, there is nothing absolutely new, as such a practice must, more or less, exist wherever there are cash accounts, forming, as it does, the essential element of such transactions. In the Dunedin Bank it is intended to extend the principle to its widest limit; in which case only its fullest benefits can be felt. Most banks are unwilling to arrange transactions of trifling amount, and, in consequence, their customers cannot follow up any determinate method of settling their accounts in that way. Without a universal and in-

* "Letter to James William Gilbart, Esq., on the Relative Merits of the English and Scotch Banking Systems; with Practical Suggestions for the Consolidation of the English Joint-stock Banking Interest. By Robert Bell." Mr. Bell, the manager of the City of Glasgow Bank, at Edinburgh, was examined in 1848, as a witness before the Committee of the House of Commons on Commercial Distress. He died in 1854.

discriminate system of payment, however inconsiderable they may be, it is obvious that the practice of honouring larger drafts—and those only for sums of so many pounds in exact number—the operation of settling accounts in this manner is at best of a mixed description, and does not afford the whole advantages to be derived from it. Were the principle adopted in its full extent, the bank would, in reality, become general cashier for their customers; and the necessity of having money in hand for the purpose of meeting every-day expenses, would be in a great measure superseded. A larger portion of funds would be, consequently, in deposit, bearing interest, and, at the same time, as ready for use as if in the coffer or pocket-book of its owner. By this means, likewise, a regular journal of receipt and expenditure would be carried on without the slightest trouble on the part of the individual concerned, who, at the end of the year, or of the periodical balancing of accounts, would find an authentic record of his ordinary transactions. Here, too, he would find the vouchers for the payments he had made; and would be under no apprehension of being called upon in repetition of payment through any loss of his receipts. To insure accuracy, both in regard to small cash payments and calculations of interest, it is contemplated to institute a farthing column in the books of the Dunedin Bank, in order that sums may be computed with greater minuteness and precision. As much inconvenience and trouble will be necessarily incurred by the adoption of this plan, it is proposed to meet the additional expense by a small tax upon the transactions themselves; and it is calculated that the trifling commission of a halfpenny upon each single payment and entry, or 4*s.* 2*d.* upon the hundred, will afford sufficient remuneration for the increase of labour. Should this fee be found too small to remunerate, or to guard sufficiently against the abuse of the privilege, it will, of course, be easy for the bank to increase the charge—say to one penny, or more—on each transaction."

3. The system of numerous branches leads to uniformity all over Scotland in the terms on which business is transacted in the banks.

From the small number of banks that existed for many years in Scotland, and from the circumstance that the head offices of most of these banks were fixed at Edinburgh, it was easy for them to form arrangements among themselves for the regulation of their business. Hence arose a uniformity of practice among all the banks, and throughout the whole of Scotland.

This uniformity of England does not exist in England. The system of London banking is different from that in the

country. And the banking of one district differs from that of another district. It would be difficult to produce any general union in England, even among the joint-stock banks. There is a difference in the character of their localities. Their head offices are too wide apart to admit of frequent personal communication. And it may be feared that among the joint-stock banks of England, there is not enough of that *esprit du corps* which is essential to the existence of a general confederation.

There is, however, considerable competition among the banks of Scotland. This rivalry, however, does not lead to transacting business on lower terms. Indeed, these terms are always very moderate. The difference between the rate of interest allowed and charged is rarely more than one per cent. No commission is charged on current accounts; and, it is only recently, we believe, that commission has been charged on the amount (not the operations) of cash credits. Sometimes the banks at Glasgow, when there is a great demand for capital, have been disposed to grant a higher rate of interest than the banks of Edinburgh; but this difference has soon been arranged. The provincial banks, too, have carried on a strong opposition against the branches of the Edinburgh banks. The late Thomas Kinnear, Esq., when asked what had led to the discontinuing of some branches of the Bank of Scotland, replied—

"With respect to those that are beyond my memory, I cannot say what was the cause; but those that have been given up within my recollection, in point of fact, were given up in consequence of the town in which that branch had originally been established, having accumulated wealth to such a degree, that it could afford a banking capital of its own, and that it had in point of fact established a local bank; then the connexion of that local bank went so strongly against us by fair competition, that we found we could employ our capital to better purpose elsewhere, and gave up the branch."*

4. The system of numerous branches enables the banks of Scotland to transfer the surplus capital of the agricultural districts to the manufacturing and commercial districts, without going through the process of re-discounting their bills.

* Commons, 132, Kinnear.

Some Scotch writers have considered it a reproach to the English banks that they re-discount their bills, and have boasted that, with rare exceptions, the practice of re-discount is unknown in Scotland. The accusation is made without due consideration. The system of branches makes a difference in all banking arrangements. A bank in an agricultural district, say at Norwich, has a superabundance of money. A manufacturing town, say Manchester, has a demand for money. The bank at Norwich will send its money to a bill-broker in London. The bank at Manchester will send its bills to the same broker. A re-discount takes place. But let us suppose that the bill-brokering establishment should become the head office of a large bank, having one branch at Norwich, and another at Manchester. Then no re-discount will occur. The bills discounted at Manchester will never pass out of the possession of the bank. Nevertheless, the surplus funds at Norwich will be transferred to meet the wants of Manchester as effectually as before. This is an illustration of the branch system in Scotland. A bank at Edinburgh will have branches in both the agricultural and the manufacturing districts. Or a bank whose head office is in a manufacturing town, will have branches in the agricultural districts. Thus the surplus funds of Perth, Ayr, and Dumfries, are speedily transferred to be employed at Glasgow, Paisley, and Dundee. Were a bank to be established at Glasgow without branches, it would probably have occasion for discount at certain times, as well as the banks at Manchester or Leeds.

At the same time, we think this transfer of capital by means of branches is better than by means of re-discount. There is no occasion for the intermediate party, the bill-broker. The bills do not go out of the bank, so that men's transactions do not become known. The abuses connected with re-discount by fictitious bills are effectually prevented; and the bank can more readily regulate its advances in accordance with its means. To recur to our illustration:—The bank at Norwich may lose a large amount of its deposits; the bank of Manchester, knowing nothing of this, may con-

tinue its advances in dependence upon receiving its usual rediscount. The check may at length come so suddenly that the Manchester bank may be placed in difficulty. Under the branch system, should any large amount of deposits be withdrawn from one branch, the bank would immediately limit its advances at the others. The advantage of this system on the approach of a pressure is obvious.

5. The system of numerous branches leads to more regularity and uniformity in the mode of making their exchanges :—

"The system of exchanges centres in Edinburgh. In that city a general exchange of the bank notes of all the banks of issue in Scotland takes place twice a week. This exchange is made alternately within the office, and under the superintendence of the Bank of Scotland and of the Royal Bank. On these exchange days, clerks from all the banks having establishments in Edinburgh assemble, bringing with them the notes which each bank has collected, not only in Edinburgh, but, by means of their branches, all over the country; and as the Edinburgh banks act as agents for the several provincial banks, and, as such, exchange or give value for their notes, the whole banking interest of Scotland, so far as concerns the exchange of notes, is represented in the '*Clearing-room*.'

"On these occasions a mutual exchange is made by the several clerks assembled, giving the notes of other banks which they hold, and taking their own in exchange. After this exchange of notes, a balance is struck, and each clerk hands over to the officer of the presiding bank a statement, showing the amount of the balances as between his own bank and each of the other establishments. The aggregate balance on this statement shows the result of the day's exchange as it affects each bank; and that balance will be for or against any given bank in the precise proportion in which its recent transactions have exceeded or fallen short of its emerging and available resources.

"The ultimate balance against every bank was formerly paid by draft on London at ten days' date. But this mode of settlement having been found inconvenient, and having on one occasion led to considerable loss, in consequence of the failure of a private bank in Edinburgh, a different arrangement was then made, and is now acted upon. According to that arrangement, every Scotch bank of issue having an establishment in Edinburgh is bound to hold a certain *quota* of 1,000*l.* exchequer bills. This *quota* is proportioned to the average circulation of the particular bank; and with these exchequer bills the balances of exchange are paid, the fractional parts of 1,000*l.* being settled by 100*l.* Bank of England notes or gold.

"As the object of this system is to oblige each bank to hold a certain amount of tangible Government paper to meet any fluctuation and excess in its issues, the several banks are farther bound, under the general exchange arrangement, to sell or to buy exchequer bills to or from each other, whenever the number of bills which any one bank holds exceeds one-third, or falls short in the same proportion, of the conventional *quota*. These purchases and sales of exchequer bills made from and to the banks reciprocally are settled for by the bank making the purchase, by a draft on London at five days' rate, with a commission equivalent to the eight days which the draft has to run at the exchequer bill rate of interest. In order to prevent the risk of these mutual sales and purchases of exchequer bills being converted into stock-jobbing transactions, the purchases are made at par, and each bank holds its *quota*, in its own name, direct from Government, while the general supply of exchequer bills is kept in the circle by being specially marked as '*Edinburgh Exchange Exchequer Bills*.'

"Still farther to complete the control of the banking interests over these exchange arrangements, a statement is produced by each bank on every exchange day, showing the amount of exchequer bills which it holds. And it is only necessary to add, that these exchange regulations which have been found so salutary in practice, are the result of mutual and voluntary concert among all the banks; and although it may be said that they are not compulsory, yet in effect they are so, since any bank of issue refusing to accede to them would incur the risk of having its notes refused by the combined banks, which in Scotland would be tantamount to a suppression of the non-acceding bank as a bank of issue.

"In addition to these exchanges in Edinburgh, there are also exchanges made on the same days in Glasgow; and the balances being advised by post to Edinburgh, are settled for next morning in the same manner by exchequer bills and Bank of England notes. So also, in order to save the trouble and risk of transmitting to Edinburgh or to Glasgow, notes collected by the different agents in the country, wherever there are two or more branch banks in the same town, their managers or agents exchange notes, and advise the state of balances to Edinburgh, when they are included in the next ensuing general exchange.

"What I have now said may be sufficient, without going into farther detail, to give a general idea of our system of exchanges. The Scotch banking interests have been mainly indebted, it is believed, for the complete organization of this system, to Mr. Blair, the Treasurer of the Bank of Scotland, one of the most talented of our Scotch bankers; and although in description it may appear complicated, nothing can be simpler or more satisfactory than its operation in practice; nor can any check be more efficacious."*

* The Letter, already quoted, addressed to me by Mr. Bell.

The Scotch bankers are loud in their praises of the system of exchanges. And justly so. But they are in error when they suppose that nothing like it exists in England. We have shown that the country banks make their exchanges with each other, and pay the difference by a draft on London. These operations have the same effect as the exchanges in Scotland of withdrawing from circulation all the superfluous notes; that is to say, all the notes that come into the hands of the bankers. If it be true that notes remain out longer in circulation in England than in Scotland, it arises not from any difference in the system of exchanges, but from a difference in the habits of the people with regard to "keeping a banker." If a Scotch banker issue 1,000*l.* of notes in the morning, he feels assured that these notes will be paid into some other bank in the course of the day. An English banker is not so sure. The party may not "keep a banker," and he may then lock up the notes in a strong box for a week or ten days, until he have occasion to make a payment. We think it desirable that every man who has money should lodge it in a bank, not merely for interest, but for security; and therefore we approve of the Scotch practice. But it is this universal practice of having a banker, and not merely the system of exchanges, that withdraws notes so rapidly from circulation.

At the same time, it should be stated that the Scotch bankers are of opinion that our system of banking in England is chargeable with some portion of the blame. They say that as the English banks do not universally allow interest on deposits and current accounts, the people have not the same inducement as in Scotland for placing their money in a bank. And as many banks charge commission on the operations of a current account, it is the interest even of those who keep bankers to pay away the notes they receive to other parties, rather than to lodge them to their credit with their banker. On this subject I may quote the following extract from the second letter addressed to me by Mr. Bell:*—

* 'A Letter to J. W. Gilbart, Esq., on the Regulation of the Currency by the Foreign Exchanges, and on the Appointment of the Bank of England to be the sole Bank of Issue throughout Great Britain. By Robert Bell.'

"In Scotland we have adopted every means to concentrate the resources of the country in the hands of the banker. We allow a liberal rate of interest on deposits, while we not only encourage small capitalists and traders to open accounts with us, but we induce our customers to make frequent operations on their accounts, and the result is that every superfluous bank note is rapidly returned upon the issuer. The very opposite course is pursued in England; you allow no interest on deposits, you give no encouragement to small depositors, while you put a barrier in the way of your customers making frequent operations, by the charging a commission on the debit side of their accounts; the consequence of which is, that not only your paper, but your gold currency, stagnates in the hands of the public during times of prosperity, leaving the paper issues to be poured back upon the issuers in seasons of adversity, thus aggravating in no slight degree the severity of monetary pressures."

Even were the keeping of a banker as general in England as in Scotland, the same system of exchanges could not be adopted. The Scotch system requires,—an equality, or an approach to it, among the several banks—that the head offices of these banks, generally, should be in the capital,—and that the banks should have numerous branches throughout the country. These circumstances do not exist in England. And, moreover, we have the Bank of England, whose notes are a legal tender. It is obvious there can be no exchange of notes in places where, as in London, there is only one bank of issue. But the exchanges between English country banks are precisely upon the same principle as those in Scotland, and have similar effects. The differences are paid by drafts on London, payable on demand; and these drafts again pass through the clearing.

Another advantage ascribed to the Scotch system of exchanges is, the surveillance which, by this means, the large banks at Edinburgh are able to exercise over the smaller banks in the provinces. That this surveillance exists in Scotland, and that it has been exercised beneficially, we entertain no doubt It is equally true that such a surveillance does not exist in England. But the system of exchanges is not the cause of this surveillance, it is merely the instrument. In Scotland, the banks being few, and all their head offices being at Edinburgh, they are able to confer together, and to

fix on rules for their general government. With any inferior bank that refuses to comply with these rules they can refuse to exchange notes, and thus force it to compliance. In England, where the banks are numerous, and where their head offices are distant from each other, such a system cannot well be formed; and hence each bank is free from the control of other banks, and may pursue any course it pleases, however injurious to itself or to others, so long as it is able to make good its payments to the public. The banks at Edinburgh, too, by means of their numerous branches, have the earliest information of any irregular practice that may have been adopted by a local bank in the provinces;—but the large banks in London have comparatively but a very imperfect knowledge of the operations of either the private or the joint-stock banks that are scattered over the country.

From a want of this surveillance, banks in England have carried on business for years after they have been supposed to be insolvent. Hence they have gone on until their losses have not only absorbed the whole of their capital, but have required to replace them further demands to a large amount from their shareholders. In Scotland, these banks, if they could not be kept in the right path, would probably have been compelled to stop before they had wandered so widely. Banks, as we have seen, do sometimes fail in Scotland, but never under circumstances that shake the public confidence in the general banking institutions of the country.

6. The confidence placed in the banks of Scotland by the public renders them less exposed to inconvenience during a season of pressure.

When a pressure takes place in England, the first objects of suspicion are the banks. People that have money in their banker's hands draw it out, and hoard it. The bankers, knowing that they are liable to these demands, draw in their funds, and make provision accordingly. Hence the capital of the country is rendered dormant at the time when it is most required to be in a state of activity. Banks that issue notes are more liable than others to these sudden demands. But no such feeling exists at present in Scotland. And should the

Act of 1845 have the effect of inoculating the people with the love of gold, and by this means place the banks in the same position during a pressure as the banks of England, it must be regarded as a national calamity.

On this subject, we again quote from the letter of Mr. Bell:—

"Nor are these benefits, great as they are, the only advantages which we have derived from our system of banking. Our one-pound notes connect and familiarize every artizan and labourer in the country with our banking establishments; and the implicit confidence in our paper currency thus created, and perpetuated by the general experience of the sufficiency of our banks, has on many occasions been remarkably illustrated. It is no exaggeration to say, that at this moment nine-tenths of the labouring classes of Scotland, if they had their choice, would *prefer* a one-pound note to a sovereign; and, as a consequence of this feeling of security, combined with a sense of the other advantages of the system, no one in Scotland can have forgotten the truly national stand, on behalf of our currency, which was made by rich and poor in the year 1825, when your English economists proposed to visit us with an injury similar to that which was in that year inflicted on England.

"With banking establishments thus pre-eminently possessed of national confidence, no mercantile convulsion has hitherto created any general run on our great joint-stock banks. It has been otherwise in England, where, in consequence of legislative enactments, the public have been taught to regard *gold and silver* as the only representatives of value. The bond of union between the banks and the mass of the people has thus been severed; and when a monetary crisis occurs, its consequences are incalculably more injurious. With us (though very rarely), runs have been occasionally made on particular banks; but it has been merely to withdraw a deposit from one bank to place it in another; or to exchange the notes of a suspected bank for the *notes* of one of our national joint-stock banks, the prevailing confidence in our paper currency remaining unshaken. In this way the disposable banking capital or resources remain in the aggregate unchanged; whereas with you the run is for *gold;* and the coin thus withdrawn from one bank is not re-deposited in another, but hoarded till the panic is over, by which means the entire banking resources of the country are involved in the consequences of the temporary disaster; and this, too, at the very time when these resources are most needed."

IV.—*Laws of the Currency in Scotland.*

In Scotland the lowest point of the circulation is in March, and the highest in November. The advance, however, between these two points is not uniform—for the highest of the intervening months is May, after which there is a slight reaction; but it increases again until November, and falls off in December. The reason of the great increase in May and November is, that these are the seasons for making payments. The interest due on mortgages is then settled, annuities are then paid, the country people usually take the interest on their deposit receipts, and the servants receive their wages. There are frequently large sums transferred by way of mortgage. It is the custom of Scotland to settle all transactions, large as well as small, by bank notes—not by cheques on bankers as in London It is remarkable that these monthly variations occur uniformly every year, while the amount of the circulation in the corresponding months of different years undergoes comparatively little change.

The circulation of Scotland is at its lowest point in the month of March, is higher in July, and reaches its highest point in November. In the corresponding months of different years, there is but little deviation in the amount of the circulation. These facts prove that the circulation of Scotland does not produce any effect upon prices, nor, consequently, upon the foreign exchanges. It is hardly necessary to adduce evidence in proof of the fact, that the prices of commodities do not go on increasing from March to November in every year; and if they do not, they cannot be regulated by the currency. This regularity in the circulation shows that it must be governed by some uniform laws, arising from the local circumstances or habits of the country; and this, we think, will always be the case where the banks are passive, and permit themselves to be operated upon by the wants of the trade and commerce carried on in their respective districts.

Though the Act of 1845 does not appear to have had much effect on the laws of the currency, it has had an effect in

other ways. It has required the Scotch banks to keep a larger amount of gold in their vaults.

It has also had the effect of inducing the banks to increase their charges, and to decline granting cash credits. The banks are required to keep in their coffers a larger amount of gold. This increased amount yields no interest; and hence to that extent the Act diminishes their profits. To make up the same amount of profit as heretofore, the charges for discounts and advances are increased. This illustrates a principle that we think will always be found correct, that *restrictions upon banks are taxes upon the public.* This principle is not sufficiently obvious to statesmen, nor even to the public, in England; the mercantile classes have been pleased, rather than otherwise, when laws have been passed injurious to bankers. In Scotland such matters are better understood. The commercial classes have always rallied round the banks; they have had the sagacity to perceive the truth of the principle we have advanced; they know that capital employed in banking must be made to produce an average profit: and if the Legislature causes one branch of business to be less productive, the bankers must make other branches more productive, in order to render capital employed in banking as profitable as it would be if employed in other occupations. But the Act of 1845 not only increased the charge, it led to a limitation of accommodation. There is no one point on which Scotchmen, of all classes, are more unanimous in opinion, than on the advantages that have arisen to their country from the system of cash credits. This system can exist only with a note circulation. One of its objects on the part of the banker is to increase his circulation. But he has no profit by increasing his circulation of notes, if he must keep in his coffers an additional amount of gold equal to that increase. But gold is the idol of our currency theory. The cash credit system, therefore, with all the virtues it produced, has been offered up in sacrifice to this "golden calf."

The Act has, however, not been successful in imparting to the people of Scotland a taste for gold. The bankers are too wise to issue the gold, unless when it is demanded; and the

public are too wise to make such a demand. Hence, when the increase of the currency requires a further importation, the gold is quietly brought from London to Edinburgh, is quietly locked up in the vaults of the bank, and, when no longer required, as quietly sent back again. Of course this is a loss to the banks of issue, but in this way it is less injurious than if put into circulation. Disastrous for Scotland will be the day when the people shall become inoculated with the love of a gold currency. The effect of such a desire in England is strikingly exhibited in seasons of pressure. When such pressures occur in Scotland, the banks, unlike those of England, can employ their whole resources to assist their customers, and to support public credit.

Among the theories on the currency was a notion of establishing one bank of issue for the United Kingdom. The following evidence on this subject was given by Mr. Kennedy, the manager of the Ayrshire Bank, before the Committee on Banks of Issue in 1841 :—

"Do you think the establishment of a single bank of issue for the United Kingdom would be advantageous or otherwise to Scotland? . . . . "I conceive that it must be very destructive to Scotland."

"In what way?" . . . . "It is perfectly clear that it would overturn the present system of banking in Scotland. Our system of banking is based upon the power that our currency gives us to allow a high rate of deposit interest; if you take from us the profit that our currency yields, we must make our profit from some other source; we must increase the charges to the community, and allow less interest, or probably no interest at all, and our system will be totally changed."

Another favourite notion has been the abolition of all notes under 5*l.* A Committee of the House of Lords and a Committee of the House of Commons made reports on this subject in the year 1826. The evidence produced by the Scotch bankers was so overwhelming, that both the committees recommended the postponement of the measure. Robert Paul, Esq., secretary to the Commercial Bank of Scotland, stated to the Committee of the House of Lords that the following would be the effects of the abolition of the small notes :*—

* Lords' Report, p. 204.

"We should diminish the number of our branches, because we should be involved in an expense in the transmission of gold, which the profits arising out of our branches could never compensate; they are not the most profitable part of our business; they are attended with a great many hazards and disadvantages.

"We should withdraw our cash accounts, because they could no longer accomplish the end for which they were granted; which was the maintaining our circulation, especially of our small notes.

"We should diminish the interest of our deposit accounts, because we should then be required to keep a very large amount of dead stock of gold in our coffers, to meet the constant variations that would arise, and to keep it wholly unproductive. I imagine that if a gold currency were substituted for a small-note currency, there would be a much greater amount of gold required than there is at present of notes. We have at present, in order to meet the constant variations, a large amount of notes constantly on hand, and in the same way we should require a stock of gold, and that would be proportionably larger as the general circulation would be greater."*

The following letter, written by an agent at Inverary, to Roger Aytoun, Esq., manager of the Renfrewshire Bank at Greenock, states the inconveniences which the writer apprehends would result from the introduction of a metallic currency into that part of Scotland:—

"With regard to the proposed measure of suppressing bank notes in Scotland for less than 5*l.*, I think it would be ruinous to this country; for I cannot see how, if it takes place, the business of the country can be carried on. Confining myself to some of the most prominent instances in which the Highlands will be affected, I shall state the difficulties that occur to me. Our produce chiefly consists of cattle and sheep, grain, wood, kelp, and the production of the fisheries. Cattle are brought to the country markets by the breeders, chiefly small farmers, every man attending his own, and having generally from one to three young animals for sale. There they are met by the dealers and graziers, who purchase such of the beasts as suit them; and it is seldom that a single animal, at the age of one or two years, being the ages at which they sell them to the dealers and graziers, comes to the price of 5*l.*; the price is more frequently from 2*l.* to 4*l.* Of these a dealer often purchases two or three hundreds in single beasts, so that he has more than 1*l.* and less than 5*l.* to pay to each of as many sellers; but he has no notes under 5*l.*, and the sellers are not able to return balance in any coin. This will occur to many dealers at every market; and how is the difficulty to be removed? The dealers must all come loaded with gold

* Lords' Report, p. 132.

and silver, and this they cannot carry to the necessary amount; and besides, they will not be supplied by banks with gold and silver for their bills by which there would be no profit. The means of paying being wanting the seller will not deliver, and the object of the parties is frustrated; and thus a difficulty is cast in the way of disposing of this material article of Highland produce, which must discourage the sales, and occasion a reduction of price, and consequently of the rent and value of land.

"It is the same in the case of grain, of which bear or barley is what is chiefly sold by small farmers to the distilleries. In settling for some bolls, bought in small quantities of two or three bolls, 5*l.* notes will be found most inconvenient; and the purchasers and manufacturers of wood and bark, and of seaweed for kelp, who require many hands, and pay off their workers generally once in the month, none of whom will draw so small a sum as 1*l.*, nor so large a sum as 5*l.*, will experience the same difficulty.

"The herring fishery on our coasts employs several thousand men, and is of very great importance. Instances have occurred of herrings being taken in Lochfine alone to the value of 40,000*l.* in one season; and a thousand boats are generally employed there in the fishing. The fishermen every morning sell their fish to the curers on shore, receive their money, and set out in quest of more. The value of each boat's fishing for a night sometimes exceeds 5*l.*, but generally is under it; and there are in this fishing station alone, a thousand boats to be paid off every morning, of whom most probably two-thirds have to receive less than 5*l.* each. It will be impossible to provide gold and silver sufficient for such a purpose; and in the remote parts of the North Highlands, where the fishery is much more extensive, and banks at a greater distance, the difficulty is insuperable."

"At present the business of the Highlands is transacted by means of bank notes of 1*l.* and 1*l.* 1*s.*, with some larger notes on occasions, and that with the greatest facility. Cattle dealers, and all others having to pay away money to any amount in small sums to a number of people, as in the instances mentioned, prepare themselves by a mixture of notes, some large and some small, accompanied by a few pounds of silver, and everything goes on well. These notes are preferred by the country people before gold, both because they are unable to distinguish between the genuine and base metal, and because these coins are more liable to be lost from their pockets than notes; and they have no reason to repent their confidence in the stability of these banks, whose notes they have been accustomed to receive for so many years in their transactions. But if small notes are superseded, and gold substituted, it is not easy to see how the supply of gold is to be kept up to carry on the business and transactions of this country. Should a quantity of it be received into the circulation, it would not remain long, but find its way into the

banks, who will not again give it out in bills as they do their notes, and it will immediately become a scarce article in the country. A person, then, having to pay in small sums, will on every such occasion be obliged to send his large notes to the bank that issued them, perhaps a hundred miles off, to receive gold and silver in their place, to answer his purpose. The conveyance of it to him is next to be provided for. The weight may be too much for the post. There are no mail coaches; and he must either employ a carrier, moving too slowly for his occasions, or be at the expense of sending a trusty person for the treasure.

"In transmitting money from one part of the country to another, the same difficulty will often present itself. Suppose a person in the Western Isles has to pay 19*l.* to one on the Continent. At present this may be conveniently done by three notes of 5*l.* and four of 1*l.* enclosed by post; but when there shall be no 1*l.* notes, the odd 4*l.* must be sent in gold or silver, not conveniently carried in a post letter, and requiring that a person be employed for the purpose, and at some expense.

"Many other such difficulties and inconveniences will occur. These presented themselves to me, and I stated them hastily, without regard to order. If you find anything in them useful for the purpose, I shall be pleased. But it appears extremely hard that the Scotch system should be disturbed, and that we should be obliged to adopt one not only unsuitable to our purposes, but ruinous to the business of our country."

V. *Those Operations of the Scotch Banks that refer to Cash Credits, Deposits, Remittances to India, and the Settlement of the Exchanges.*

I. *Cash Credits.*—A cash credit is an undertaking on the part of the bank to advance to an individual such sums of money as he may from time to time require, not exceeding in the whole a certain definite amount, the individual to whom the credit is given entering into a bond with securities, generally two in number, for the repayment on demand of the sums actually advanced, with interest upon each issue from the day upon which it is made.

Cash credits are rarely given for sums below 100*l.*; they generally range from 200*l.* to 500*l.*, sometimes reaching 1,000*l.*, and occasionally a larger sum.

A cash credit is, in fact, the same thing as an overdrawn current account, except that in a current account the party overdraws on his own individual security, and in the cash credit he finds two sureties who are responsible for him.

Another difference is, that a person cannot overdraw his current account, without requesting permission each time from the bank; whereas the overdrawing of a cash credit is a regular matter of business,—it is, in fact, the very thing for which the cash credit has been granted. The following advantages have been ascribed to the cash credit system:—

1. Cash credits enable young men of good character to acquire wealth and respectability.

"I have known many instances of young men who were starting in the world from low situations—of servants, who have conducted themselves well during the time they were apprentices—of farm-servants even, who were able to procure an account from a bank by means of some friends or acquaintances becoming their securities, that in the course of their business have raised themselves to situations by becoming farmers of considerable extent, or manufacturers in a way highly creditable to themselves and beneficial to their country.*

"Without cash credits, sober, attentive, and industrious people would not have the means at all of following up what they very deservedly might be encouraged to follow up; they begin the world, in all probability, with a mere trifle, which trifle they have been known to make by their own industry. Having made that, it recommends their character to persons of, perhaps, a little more fortune, who, to encourage them, become sureties for their cash accounts.

"The classes of persons who have cash credits are very various; but they are generally the industrious classes of persons—merchants, and traders, and farmers.

"The accommodation is more readily given to a small than to a large amount—the bank preferring to grant ten credits for 100*l.* than one for 1,000*l.*, thereby demonstrating that their accounts are quite as much for the assistance of the poor as for the accommodation of the rich."

2. Cash credits furnish great facility to tradesmen and others in carrying on their business, either in the way of raising money,—in making purchases, or in employing at particular seasons their surplus capital.

"Is the advantage to the party borrowing greater under the system of cash credit than under the system of lending in the ordinary mode? —Infinitely.

"Why?—As to the question of actual pounds, shillings, or pence,

* This and the following quotations are taken from the evidence given by the witnesses from Scotland, before the Committees of Lords and Commons, appointed to consider the expediency of abolishing the notes under 5*l.* in 1826.

paid in the shape of interest, there is, in the first place, this difference, that when he discounts a bill, he pays the interest on the sum for three months, if that be the currency of it; should any accidental mercantile transactions throw into this individual's hands, on the next day, the same amount which he had received thus from the banker, he has lost the benefit of the transaction, because he must keep this; if he has a deposit account with the banker he must keep it at banker's interest, while he is anticipated by having paid to the banker three months' discount interest on his bill; if a trader were to take his money systematically by discounts instead of by cash accounts, a disadvantage to him would arise. The same principle applied to small sums; if half or a quarter, or any part of the advance which he may have received upon the cash account comes into him, he immediately lessens the advance by paying it into the bank, and the interest being calculated at the close of the account, there is a progressive account of interest diminishing with the principal sum till it is extinguished. So far as to actual benefit of interest; but the convenience of getting money when wanted affords a very material advantage, independent of the actual benefit.

"What are the facilities that exist in obtaining this sort of advantage, compared with those of obtaining an ordinary loan?—When a person applies for a cash account, which is not an immediate advance of money on the part of the bank, but a conferring of the power or privilege of drawing upon the bank to the extent specified, the person proposes two or more personal securities: a bond is made out, and he draws as occasion requires. In this way, he has never more from the bank than is absolutely necessary for the purposes of his business. The account is never recalled, unless it has ceased to be beneficial to the bank, by having been but little operated upon, and thus not having promoted the circulation of the bank's notes. Whenever it becomes a dead advance, the bank calls it up. In the case of a person obtaining a loan, he would probably, in the first place, have to pay the interest down at once; he would have to pay it upon the whole sum whether he should require it ultimately or not, and it would be liable to be recalled by the lender at his pleasure."

"The person who procures a cash credit, does so upon the security of two or three substantial individuals. He may be a man of little property, but upon that security he gets a credit, perhaps of 500*l.*—his bill to anything like that amount, without those securities, would not be discounted.

After the permanent credit is given, the option of using it lies solely with the borrower, not with the bank, as does also the option of the period of repayment.

"If a small trader borrow of an individual (not a banker) 100*l.*, that individual would not be disposed to receive back his money in 5*l.* or 10*l.* or 15*l.*—he would wait till the term expired, when he would receive

the whole. When a credit is granted, the individual, perhaps, draws out 50*l.* to-day and pays in 40*l.* to-morrow, and goes on in that way, always having credit with the bank to the extent originally stipulated.

"The repayment as well as the overdraught is permitted by the bank to be made in small sums piecemeal; so that by attention in his repayment, the borrower saves himself from paying interest on more than the precise advance for which he has occasion at the moment, and can constantly convert to a safe and profitable purpose the money which he may receive in the course of his trade, however small the amount.

"These advantages are steadily and uniformly afforded at all times to the industrious tradesman, or farmer, the merchant, the professional man, and the landlord."

3. Cash credits supply capital for carrying on extensive branches of trade, employing the population, and constructing public works.

"Cash credits for small sums enable the poor to be as instrumental as far as their means go, in increasing the capital of the country as the rich are. For the produce of that industry which cash account credits enable to operate, and of that capital which they leave at liberty to be employed in trade, goes to increase the real wealth and capital of the country; and a great proportion of the transactions, carried on through the instrumentality of cash accounts, consists of those of the poorer classes.

"I apprehend that those cash credits have enabled a large number of manufacturers to carry on business, and to employ the population of the country, who, if they had not such credits, could not have carried on such busines, nor employed such population.

"Cash credits are granted to almost all descriptions of persons throughout the country. Every young man who has a prospect of success on entering life, applies for a cash credit. A great many gentlemen have cash credits, and a great many farmers. There is hardly any public work undertaken in Scotland that the first object is not to apply for a cash credit, to carry it on to advantage. All the roads in Scotland are managed by Parliamentary trustees; and I believe there is hardly any one of those sets of trustees which have not cash accounts for the purpose of carrying on their operations. I am sure many of the most important public works in Scotland would not have been carried on, or certainly not with the same advantage, but for the credits they obtain from the banks."

4. Cash credits prevent large manufacturers setting up as bankers, and thus they exclude those evils which in other countries have resulted from the failure of private banks.

"When the system is applied to the case of large manufacturers, employing hundreds or thousands of workmen, and possessing a cash credit to a proportionate amount, upon sufficient security, one obvious effect is, that the temptation is removed from the manufacturer, of attempting to issue notes, and becoming himself a banker—an error or temptation which, if what is said is true, has been the main cause of the institution of many insufficient English bankers, whose partners, from being good traders, became bad bankers, and brought upon their own district the distress which bad banking sooner or later always produces."

5. Cash credits have a considerable moral influence upon the habits and character of the people.

"The security afforded to a bank by its debtor, or rather its customer, on a cash credit, is by bond, with two sureties at the least—occasionally there are not two sureties, but frequently many more; the practical effect of which is, that the sureties do, in a greater or less degree, keep an attentive eye upon the future transactions and character of the person for whom they have thus pledged themselves. And it is, perhaps, difficult for those who are not intimately acquainted with it to conceive the moral check which is afforded upon the conduct of the members of a great trading community, who are thus directly interested in the integrity, prudence, and success of each other. It rarely, indeed, if ever, happens, that banks suffer loss by small cash credits.

"This system has a great effect upon the moral habits of the people, because those who are securities feel an interest in watching over their conduct; and if they find they are misconducting themselves, they become apprehensive of being brought into risk and loss from having become their securities; and if they find they are so misconducting themselves, they withdraw the security.

"Sometimes cash credits are recalled from the interference of the securities. They have the power of knowing from the bank at any time the state of the account, and the operations upon it; and if from that, or from other circumstances, they have been led to think less favourably of the person for whom they gave the security, they can immediately cease to allow that account to be farther operated upon."

The Report of the Committee of the House of Lords contains the following observations upon the effects of cash credits:—

"There is also one part of their system which is stated by all the witnesses (and in the opinion of the committee very justly stated), to have had the best effects upon the people of Scotland, and particularly upon the middling and poorer classes of society, in producing and

encouraging habits of frugality and industry. The practice referred to is that of cash credits. Any person who applies to a bank for a cash credit, is called upon to produce two or more competent securities, who are jointly bound; and after a full inquiry into the character of the applicant, the nature of his business, and the sufficiency of his securities, he is allowed to open a credit, and to draw upon the bank for the whole of its amount, or for such part as his daily transactions may require. To the credit of this account he pays in such sums as he may not have occasion to use, and interest is charged or credited upon the daily balance as the case may be. From the facility which these cash credits give to all the small transactions of the country, and from the opportunities which they afford to persons who begin business with little or no capital but their character, to employ profitably the minuted products of their industry, it cannot be doubted that the most important advantages are derived from the whole community."

As by cash credits the banks render themselves liable to be called upon at a moment's notice for the amount of the credit granted, it is natural to suppose that they contemplate some advantage in return. The advantage contemplated is the circulation of their notes. It is not intended that the cash credit shall be a dead loan of capital. It is expected that there shall be a perpetual paying in and drawing out of money; and the smaller the denomination of the notes drawn out, the more advantageous is the account to the bank. Manufacturers who pay away large sums every week in wages, linen buyers and cattle dealers, millers and provision merchants, who make their purchases in small sums, and generally all those who have quick returns of money passing through their hands, have the means of making a cash credit profitable to the bank. On this subject, I again quote the evidence:—

"To secure to the bank the advantages of circulation, which is to make it worth while to afford these facilities at so little expense to their customers, he, on his part, is to lose no opportunity of bringing to the bank, and thus withdrawing from circulation, the notes of every rival bank which comes into his hands in the course of his transactions; or of paying away, and thus introducing into circulation, as many of the notes of the bank as his transactions admit of, always 1*l.* notes if possible. The payments and receipts must be frequent, for in this consists the banker's profit, inasmuch as the payments are uniformly made by him in his own notes, and the receipts are generally, in a very great

degree, in the notes of other banks. Thus, supposing a shopkeeper to have a credit for 50*l.* or 100*l.*, if his receipts and payments average 5*l.* per day, he may, in six months, or 150 days, have placed 750 of his banker's 1*l.* notes in circulation.

"It is quite necessary, in order to render a cash account beneficial, that there should be repeated and continued operations upon it; that the transactions should be numerous; that there should be a continual drawing out and paying in of money; and that, by these means, a circulation of the bank notes may be promoted; otherwise the account is withdrawn, and the great reason of this is, that these accounts are not intended to form dead loans, but to be productive of circulation to the bank.

"The explanation of the cash credit system is this:—The bank who first opened a cash credit opened it with an individual shopkeeper. He received payment of his goods in the currency of the country. Previous to that system, he used to put his currency into his drawer, 8*l.* or 10*l.*, or whatever it was. If people brought him larger money to pay for his goods, he returned those people change; or if he did not, he kept it until he wanted to purchase for himself. But, after the banker had explained to him what he wished him to do, when the shopkeeper received the currency of the country, instead of putting it into his till, he looked to the banker's shop as his till, and handed it over to the banker, and left his own till with only the change which he could not do without. Then, when he required sums to pay away, instead of taking them from his till, he sent to the bank, and took from it what he required, the banker giving him his own notes. So much of the previous currency was thus removed, and the banker's notes taken in its place. That was the effect of the first operation, when the thing was only in so simple a state that there was only the notes of one bank and a metallic circulation. If you apply the same principle where there are thirty banks, the result would be the same.—The amount of the circulation of the country continues the same, but the proportion between its parts vary."

II. Deposits.

A sum of money deposited or placed in a bank is called a deposit. Some banks grant interest on these deposits; others do not. Few London bankers allow interest on deposits, but the English country bankers usually do. The Scotch banks have carried this practice to the greatest extent; and the deposit system forms a very important branch of the banking system in Scotland.

Those regulations which the banks have established as

the rule of their transactions between themselves and the depositors are the following:—

The depositor may place in the bank any amount of money he pleases above 10*l.*

The whole or any part of the deposit may be withdrawn at the pleasure of the depositor without previous notice.

Interest is allowed on the deposit from the day it is lodged in the bank until the day it is drawn out.

The balance of a current account is allowed interest at the same rate as though it were a permanent deposit.

The following are the advantages ascribed to the deposit system:—

1. The system of deposits is advantageous to the lower classes—in providing a place of safety for their deposits—in granting them interest on their savings—in encouraging habits of frugality—and thus often enabling them to advance in society.

"The deposit branch divides itself into two parts:—There is, first, what is called a running account, where the party pays in from day to day the whole surplus funds in his hands, and on which he receives interest. These depositors are, in general, shopkeepers, and merchants, and traders, more particularly in large towns; and in these deposit accounts there is found at their credit, at the close of every day, the whole amount of the money for which they have not immediate employment in their trade. The second branch of deposits consists of small sums placed in the hands of the bank at interest, which have been in general the savings of their industry, and which are put into the hands of the bank to accumulate, and on which they may operate not in the way of a running account. They may receive a partial payment whenever they please; and in general these deposits are very seldom removed, excepting when an individual has occasion to build a house or begin business. This class of deposits is distinguished from running accounts by the name of deposit receipts."*

"What class of the community is it that makes the smaller deposits? —They are generally the labouring classes in towns like Glasgow. In country places, like Perth and Aberdeen, it is from servants and fishermen, and just that class of the community who save from their earnings in mere trifles small sums till they come to be a bank deposit. There is now a facility for their placing money in the provident banks, who receive money till the deposit amounts to 10*l.* When it amounts to 10*l.*,

* Lords' Report, p. 80.

it is equal to the minimum of a bank deposit. The system of banking in Scotland is just an extension of the provident bank system. Half-yearly or yearly these depositors come to the bank, and add the savings of their labour, with the interest that has accrued from the previous half-year or year to the principal. And in this way it goes on, without being at all reduced, accumulating, till the depositor is able either to buy or build a house, when it comes to be one, two, or three hundred pounds, or till he is able to commence business as a master in the line in which he has hitherto been a servant. A great part of the depositors of the bank are of that description; and a great part of the most thriving of our farmers and manufacturers have arisen from such beginnings. And in regard to the deposit receipts, I may just mention what is generally the way in which they are granted. To-day a person from the country appears at the bank, it may be with 20*l.* or 30*l.* or 50*l.* We probably never see him again till that day twelvemonth, but we are sure of seeing him about that very day. If he has 20*l.* in the bank, he may come and say, 'There are four guineas; you will give me a receipt for 25*l.*' He knows well that the 20*l.* has earned 16*s.* interest; and I do consider that the four guineas are just the savings of the year. He goes away with his new receipt, and returns on that day twelvemonth; then again it is added to, and thus accumulated—and so in many instances throughout the country."*

2. The system of deposits is advantageous to capitalists in furnishing them with a secure mode of employment of capital, either for a longer or a shorter period, at their pleasure.

"What class of persons form the large and steady depositors in the Scotch banks?—The middling and the lower order of society, industrious poor people, who are saving their money, and small capitalists who have raised a moderate sum of money, upon the interest of which they live.

"Do many persons live upon the interest of their deposits, as far as you know?—Yes, a great many."†

"Do you know whether it is the practice of persons who have small capitals in Scotland, to invest them in the public securities in London, or to deposit them with the banks in Edinburgh?—I believe, almost universally, to deposit them with a Scotch bank.

"And they live upon the interest of what they so deposit in the manner as persons here live upon their interest on stock?—Yes; they often look to the permanent capital with a view of leaving it at their death, taking the interest during their lives."‡

"The deposit accounts are of two kinds—one kind from the com-

* Commons' Report, p. 159. † Lords' Report, p. 165.
‡ Commons' Report, p. 124.

mercial people who have large sums that they wish to keep in a disposable form, waiting an opportunity of any investment which may occur. Of the operating deposits, there are others who keep the money until a favourable turn in the Stock Exchange enables them to invest it there. And there are others, respectable householders, who keep it for the purposes of their family expenditure. I reckon that these and the sums due upon them average one-half of the aggregate amount of a bank's deposits."*

"Have you formed any estimate of the amount of deposits in all the banks in Scotland?—I certainly have been at very great pains to get information upon the subject; and I am satisfied that the amount is considerably above twenty millions—I should say, twenty-five millions.

"From what class of persons are those deposits chiefly?—Generally from industrious tradesmen, small shopkeepers, varying from 10*l.* to 500*l.* The greatest number of deposits, and the greatest in their aggregate amount, are in small sums.

"Are there not, however, deposits from richer classes, and each of them to a much larger amount?—Certainly, there are deposits from 1,000*l.* to 20,000*l.* and 30,000*l.*"†

"In the spring of 1824, the banks in Scotland began, in some instances, to decline accepting deposits at all.—In the autumn of 1824, the great banks made an express rule that they would not accept more than 5,000*l.* from any one depositor. They allowed 2½ per cent. on the first 3,000*l.*, and 2 per cent. upon the remainder of the 5,000*l.*, and above that they would not allow any interest. That was the general rule with the great banks at that period. There were many people who preferred leaving their money, though they received little or no interest, to taking it away. That commenced in 1825.'‡

3. The system of deposits is advantageous to the country—by augmenting the amount of national capital—by increasing the demand for labour—by granting facilities to trade and commerce—and by removing the temptations to engage in hazardous speculations and foreign investments.

"This system was adopted before the middle of the last century. The rate of interest allowed since then has been regulated by the value of money, and has, of course, fluctuated considerably; but it has ever been such as to afford as high a return to the depositor, as has been consistent with the reasonable profit, and of course the security of the bank. The effect of this system has been to encourage and to afford the means of the accumulation of capital among the lower, as well as the higher orders, by placing within the reach of all, a convenient, safe, and mode-

* Lords' Report, p. 183. † Ibid. p. 231. ‡ Ibid. p. 158.

rately profitable investment of money, and to offer an inducement to capitalists to retain their accumulations in Scotland, notwithstanding the opportunities or temptations which foreign investments might hold out."*

"The system of deposit accounts, I think, is a very great stimulus to the habits of industry, and economy, and frugality, in Scotland. The whole surplus capital of the individual is thus rendered productive.

"Under the system on which you conduct your business, is not the money arising from those deposits issued out, to encourage the farther consumption of labour in the country?—Yes.

"It would be a loss, then, to the country, if it was to be removed from the channel in which it is now placed, into this country, on Government debentures?—It certainly would.

"Under this system does not the poor workman gain immediate interest for his saving, whilst the saving is immediately employed through the bank in putting a farther portion of labour into motion?—Precisely so. It is in this way that the wealth of those individuals is concentrated, and through the agency of the bank is brought to bear in carrying on the business of the country."†

"Is there not an advantage to the public from the gathering of those small capitals together, forming part of the deposits of the bank, and so being sent out again in large sums, like other capitals, for the purpose of being applied to increase the powers of productive industry?—The Scotch banks form a sort of reservoir for receiving the small sums of capital scattered throughout the community, and then sending them forth into channels of trade, so as to promote the commerce, manufactures, and agriculture of the country."‡

"Are you of opinion that if the deposits with the banks of Scotland were considerably lessened, the banks could afford the same accommodation by discounts, which they do at present?—I should think that is impossible, because it forms part of their capital. It would diminish the capital which is at present employed in that business, of which discounting forms a great part.

"Would not any such diminution of discount operate injuriously to the general trade of the country?—The want of those discounts must diminish the trade of the country, inasmuch as the manufacturer or merchant receives his money at least three months sooner by discounting their bills, than he could possibly get payment of his account."§

"The system of deposits forms a great part of the funds arising from our banking system. It is a great deposit of money which is given out to the trade of the country, for the profit of one per cent. for which the bank runs the risk of its business. If that great deposit were withdrawn, and could not be issued with the same degree of safety, I con-

* Lords' Report, p. 175.
† Ibid. p. 283.
‡ Commons' Report, p. 203.
§ Lords' Report, p. 266.

ceive the consequences would be a total derangement of the whole system, and ruin of our country."*

"If the banks are under the necessity of reducing the interest on deposit accounts, the depositors must look about them and find out on what security they can lend their money so as to obtain a higher rate of interest. It would certainly diminish the capital of the trading part of Scotland, inasmuch as the banks would not have it in their power to assist them in trading by discounting, but it might be lent on Government securities or landed property, and the temptation of a higher interest from individuals would, undoubtedly, be a temptation to many, and a temptation that could scarcely be resisted by those whose income depends entirely upon the interest of that lent money, to lend it on personal and doubful security.

"When the banks reduced their interest some time ago, a great part of the deposits was drawn out, to be invested in various different ways. And as the depositors did not get from the banks the interest on which they were depending, and did not choose to take a less interest, many of them went into schemes, which have turned out very ruinous to them. It has been one great cause of over-speculation, that the people did not get the interest they had been accustomed to from the banks. They, therefore, drew it out to invest it in joint-stock companies, lent it to builders, or other inferior securities, or became builders themselves."†

4. The system of deposits is advantageous to the banks —by inducing every person to deposit his money in a bank —by furnishing the banks with capital to carry on their business—and by putting in circulation a large amount of their notes.

"The universal practice at Glasgow is, to pay into the bank with which the individual transacts his business, the whole of the notes he has in his possession, or nearly the whole, every day."‡

"Unquestionably, the giving of interest upon deposits, is an inducement to every person that has any surplus money in his hands, to place it in the hands of his banker. And in the same way in the case of cash accounts, every payment by the holder of a cash account into the bank, either diminishes the interest he has to pay to the bank, or if the account should turn in his favour, enables him to get interest from the bank, and that is a great inducement for every person to pay in daily into his banker's hands all the money which he does not require for the purposes of his business."§

"The means of a bank I conceive to consist of three things—first,

* Lords' Report, p. 235.
† Ibid. p. 250.
‡ Commons' Report, p. 50.
§ Ibid. p. 201.

capital paid in its own stock—secondly, the notes which the bank is able to keep afloat in the circle—thirdly, the amount of the deposits." *

"And if the amount of deposits were lessened, in that case their means of issuing money upon discount would be proportionably lessened?—Yes." †

"Every bank constituted as the banks of Scotland are, make advances in two ways.—They make them upon cash credits, and they make them upon the discount of bills. They also borrow in two ways.—They borrow upon deposit receipts, and they borrow also upon accounts current. That is, if a gentleman opens an account, and puts 100*l.* to his credit, and operates upon it, drawing out a part of it, leaving a balance in the hands of the bank, then is there a borrowing to the extent of the balance that is so left. Those accounts we do not allow to be overdrawn, so that the advance is in two ways, and the borrowing in two ways—that is, in two different forms." ‡

"In the case of small depositors a considerable part of the profit arising from the deposit of that money is the circulation of the notes. When a depositor withdraws his money from the bank he receives it in the notes of the bank, and, of course, they go into circulation. As long as they remain out they are a source of profit." §

"The bank issue their notes two ways; they make advances upon cash accounts, and they make advances upon discounts. They also issue their notes in payments upon accounts current, and also in the re-payment of deposit receipts." ‖

"The deposit and cash accounts are the instruments for supporting our circulation, and without the continued operations upon the deposits and cash accounts our circulation cannot be maintained." ¶

III. Remittances to India.

Although this branch of banking business is not peculiar to Scotland, yet I believe the banks of Glasgow have carried it on to a greater extent than any other banks. This has arisen partly from the more intimate connexion that exists between Glasgow and India, and partly from the character of Scotch banking. We refer to the practice of granting bills of exchange to be sent out to India accompanied by an undertaking to accept them when presented.

To enable our readers to understand distinctly this branch of business, we must give a short description of the banking

* Lords' Report, p. 195.
† Commons' Report, p. 150.
‡ Ibid. p. 180.
§ Ibid. p. 45.
‖ Lords' Report, p. 236.
¶ Ibid. p. 135.

and commercial operations of India. The business transacted at each of the Presidencies consists of importing British manufactured goods, and exporting the produce of the country, such as cotton, indigo, &c., &c. Some of the merchants who are engaged in these operations act also as bankers. They receive deposits, and allow interest on them, receive dividends on India stock, and make remittances to England. Their business in this way was formerly very extensive, but has recently been much reduced by the establishment of banks all over the country. One part of the business of these mercantile bankers is to advance money on shipments of goods either to England or to China, taking as security the bill of lading and the policy of insurance. Here they often find a powerful competitor in the East India Company; and the mercantile interests, in both India and Glasgow, are desirous of excluding the Company from this kind of business.*

I cannot better describe the kind of business carried on in India, than by the following extract of a letter I received about two years ago, in reply to some inquiries I made on the subject:—

"One part of business which the houses used to do largely was advancing on shipments of goods to England and China, and it is still done by Messrs. _____ and _____: the system is:—*A.* ships 10,000*l.* worth of goods for England, and takes the bills of lading and policies of insurance to *B.* who agrees to advance three-fourths of the value; the shipping documents are indorsed by *A.* to *B.* and *A.* draws bills on the consignee of the goods in London for the value, in favour of *B.* payable at six months' sight, and directs him to accept the bills when presented by *B.*'s London correspondent. As the goods will most probably arrive in London before the bills fall due, the consignee will take them up before the due date, and with the bills receive the shipping documents from *B.*'s correspondent. Sometimes, however, it may be that *A.* has no agent in London, and the goods are therefore consigned to *B.*'s correspondent, who is instructed to sell and remit the proceeds by bills, or with the purchase-money of the Indian goods to buy British manufactured goods, and ship them consigned to *B.* You will easily perceive what large profits could be realized in this way, as commission is charged on the sale of the Indian goods, and pur-

* See the Evidence taken before the Committee of the House of Commons on Commercial Distress, 1848.

chase of British, and a high rate of interest on the advance until it is paid off.

"The East India Company usually get a portion of the money required for the home expenditure, from India, in this manner. Last month the Government here gave notice, that in pursuance of instructions from the Court of Directors, it was proposed to provide a sum of 800,000*l.* in India during the remainder of the official year 1846—7, for the service of the East India Company in London, by the purchase of bills of exchange to be secured by the hypothecation of goods. Advances in cash are accordingly made for the purpose by the governments of Bengal, Madras, and Bombay, at the rate of exchange of 2*s.* per Company's rupee; the operation is exactly the same as I have stated in the former case. *A.* ships goods, and on the security of the bills of lading, policies of insurance, and his bills on consignees in London, at six months' sight, receives from the Government an advance equal to three-fourths of the value of the goods; the bills, with the shipping documents attached, are sent to the India House, and in due course accepted by the drawee; on the arrival of the goods, the bills are paid, and the goods given up. In the event of the ship arriving, and the bills not being taken up, the goods are then lodged in one of the Dock Company's bonded warehouses. If the bills are dishonoured at the due date, the goods are sold to reimburse the East India Company for the advance; this, however, is an extreme case, and could only occur in the event of the bankruptcy of the acceptor.

"With reference to the bills drawn from India, with an engagement on the part of the drawee to accept, in the margin, these bills are obtained from a respectable London house, and sent out to this country for negotiation; but I must have recourse again to my favourite plan of illustrating by an example. *A.* having credit with a London house, or if not, lodges security, and obtains bills, with an engagement in the margin to accept, and remits them to *B.* his correspondent in India, for the purchase of produce; the drawee being well known, the bills obtain a favourable rate in the market, and *B.* is enabled to purchase produce which he ships, consigned to *A.* in London, who, before the bills fall due, pays them; on paying the London house commission on the amount the transaction is concluded.

"There is another system, and you very probably may have seen some of the bills in the London market. *A.* a merchant in New York, proposes to send a ship to China for goods, but unwilling to have his money locked up on board ship for so many months, with the additional risk of loss, he obtains, either on personal or other security, from say Messrs._____, agent in New York, a letter of credit on the house in London, to honour the bills of the captain or supercargo of the ship. On the arrival of the ship in China, the cargo is purchased and paid for by the bills on Messrs. _____, London; the

bills are negotiated in China, with the indorsement of _____'s agent there; and as soon as *A.* in New York receives advice of the same, he remits the amount to London, to meet the bills when they fall due. I enclose you a form of one of these American bills. Sometimes money is sent to India by means of London bankers' bills, and I have seen Messrs. _____'s bills offered for sale, but being drawn at short dates, they do not obtain such good rates of exchange as might be expected; they are seldom used for commercial purposes, but are taken by officers of the civil and military services, wishing to make remittances to their families at home. I understand that the Western Bank of Scotland issues bills with an engagement to accept.

"This operation, as far as an exchange operation, of the banks issuing the bills, would not realise a profit sufficient to cover the risk. Suppose the London and Westminster Bank sent out to an agent here its bills at six months' sight, for 20,000*l.*, and that the bills are sold at 2*s.* per rupee; the agent must then remit the rupees (200,000) which he has received, and even admitting that he could obtain good commercial bills at 2 per cent. under that rate, it would scarcely pay his commission on the transaction.

"The usual way in which merchants settle their exchange operations in Bombay, and I believe it is the same all over the East, is by sending a notice to each house, intimating that *A. & Co.* have 10,000*l.* to draw for on England; *A. & Co.* are called *sellers.* *B. & Co.* want to remit 5,000*l.* to England, are called *buyers,* and offer for that amount of *A. & Co.* bills; *C. & Co.* are also buyers, and offer for 5,000*l.* more, so that the whole transaction is completed; and unless a bank is prepared to buy up all the bills offered for sale, at the same or a more favourable rate than a merchant can offer, it cannot carry on its exchange operations profitably, the merchants buying and selling among themselves, save all the bankers' charges. This, I imagine, has been the case in all countries before the system of banking operations was clearly understood; and I have no doubt, but that in a short time we shall see all exchange business done by the banks."

The Bank of England had their attention called to this subject, and consequently issued expressly for remittance to India bank post bills drawn at sixty days' sight. The following account of this arrangement is taken from a City Article of the *Times*:—

"About the year 1836, the bills of the East India firms had been brought into temporary discredit by some failures which happened at the time, so that these bills did not find ready purchasers in the Bombay market. It was conceived, therefore, that a new sort of paper of unquestionable credit might be introduced into India with advantage, and

nothing seemed more fitted for this purpose than bills made by the Bank of England, and payable by themselves. A resolution, passed in April, 1836, authorized the issue of the required paper, and since that time it has been in use.

"The bills so obtained are remitted to India, and have a peculiar advantage, which is expressed by the condition in the form that the 'firsts' are to be accepted, and held by the Bank of England. The paper which is drawn by a firm in India on London, is generally made payable at 60 days after sight, but the 60 days do not begin to run till after their acceptance in London. The bank paper, on the contrary, being accepted at once, and held for the purpose of being delivered to the holders of the 'seconds' and 'thirds' the 60 days begin to run from the date, and the bills are payable immediately on their return to London from India. This advantage, and the unquestionable credit of the paper, often enable the holder to dispose of them at a good premium in the India market in certain states of the exchanges, and thus they become, as it were, an article of commerce."

The London and Westminster Bank have also commenced to issue similar bills. The following are the forms adopted respectively by the Bank of England and the London and Westminster Bank:—

ARMS.

Bank of England.

No. _____

At sixty days' Sight, I PROMISE *to pay this my third Bill of Exchange, the first and second not being accepted or paid to* _____ *or Order,* **One Hundred** _____ *Sterling, Value received of* _____

London, _____ 18 _____

For the Governor and Company of the Bank of England,

The first duly accepted is with the Bank of England.

_____

Entered _____

_____ OF EXCHANGE.

No. _____

London and Westminster Bank.

£ _____

London _____ 18 _____

To _____ *of* _____

or the Holder hereof

We hereby engage to accept and pay at maturity, the first presented Bill of the Set of Exchange, of which the annexed is the _____ *to be drawn by* _____ *on the London and Westminster Bank, on or before the* _____ *for* £ _____ *say* _____ *Sterling, at* _____ *provided this Letter of Credit, as annexed to such Bill, be presented therewith, and delivered to us on acceptance thereof*

For the London & Westminster Bank.

_____ *General Manager.*

_____ *Secretary.*

No. _____

Exchange *for* £ _____ 18 _____

Six Months after Sight pay this _____ *of Exchange* (_____ *and* _____ *of the same tenor and date being unpaid), to the order of* _____ *the Sum of* _____ *Sterling, value received, as advised.*

To the London and Westminster Bank,

Lothbury, London.

IV. Regulations for Settling the Bank Exchanges at Edinburgh.

1. There shall be every Thursday morning an exchange of the notes collected on Monday, Tuesday, and Wednesday; and every Saturday an exchange of the notes collected on Thursday, Friday, and Saturday. The balances struck on Saturday shall, with the Glasgow and country exchange receipts, be settled on Monday. The balances struck on Thursday shall be settled on the same day; and this settlement shall include the country exchange receipts of Wednesday, and the Glasgow exchange receipts of Thursday. The exchange on Saturday shall not be interrupted by holidays; but on these occasions it shall commence at half-past nine o'clock A.M. When Monday is a holiday, the settlement shall be made on Tuesday.

2. When exchanges are established in provincial towns, the notes received at the exchanging agencies there must wait for the return of the next local exchange day; and must, under no pretext, be forwarded to meet the exchanges in Edinburgh, or at the other agencies.

3. All payments of balances shall be made in exchequer bills of 1,000*l.* each, the thousands of the balance to indicate the number of exchequer bills; it being understood, that Bank of Scotland, Royal Bank, or British Linen Company notes of 100*l.* each, or Bank of England notes of 100*l.* and upwards, or gold, shall be employed to pay fractional parts of 1,000*l.* only.

4. The amount of exchequer bills to be kept in the exchange circle is apportioned as follows:—

	£
Bank of Scotland	24,000
Royal Bank	24,000
British Linen Company	24,000
Commercial Bank	24,000
National Bank	24,000
Union Bank	24,000
Western Bank	24,000
Clydesdale Bank	12,000
Edinburgh and Glasgow Bank	12,000
City of Glasgow Bank	12,000
	£204,000

5. Exchequer bills put into the circle, to be filled up, payable to the banks which have originally contributed them, and to be blank endorsed when first paid away. They shall be registered, before they are put into the circle, in a book kept in the Bank of Scotland for the purpose,

and shall bear the distinguishing mark of "Edinburgh Exchange Bill," affixed by the Bank of Scotland, showing that they belong to the Edinburgh exchanges, and are not to be used for any other purpose whatever.

6. All the exchequer bills placed and retained in the exchange circle to bear an uniform rate of interest, and shall be paid and received in the exchanges at their nominal par value, with the interest accrued; and when they are withdrawn, in consequence of being called in, or from an alteration in the rate of interest, a voucher in the form annexed (Schedule A) shall be issued for each exchequer bill by the banks, by whom they were provided to pass as such, till replaced by the new bills in course of post after they are issued from the exchequer.

7. As exchequer bills may be expected to accumulate occasionally with some of the banks, while the stock of others is exhausted or becomes low, the parties holding the greatest amount of bills shall be bound to sell to the parties in want of them, who shall, on the other hand, be obliged to buy; but the holders shall not be required to reduce their stock of exchequer bills, by selling below an excess of two-thirds over their original quota, unless necessary for the settlements; and parties whose stock of bills is short shall not be required to purchase more than will make up their stock to one-third of their original quota.

8. Purchasers of exchequer bills shall buy from parties holding the largest proportional amount, with reference to their original quota, and two-thirds more; and the party holding the largest proportion shall have a continued preference in selling to one or more purchasers, until the stock of the selling bank is reduced to two-thirds above their original quota, when the next largest proportional holder at the time shall have the preference, and so on.

9. Exchequer bills bought shall be paid for by drafts on London bankers at five days' date; and the purchasers of exchequer bills shall pay, in addition to the principal sums in the bills, the growing interest, at the rate allowed by the exchequer, up to the date of the drafts falling due in London, and shall furnish stamps for the drafts.

10. Transactions in the purchase and sale of exchange bills may be made on either of the settling days in the week; but they shall be made only in the exchange-room, and solely for the settlement of the exchange; and no private transactions of this kind between bank and bank shall be permitted, so that the number of exchequer bills in the hands of any one party after the exchanges are so settled shall be the number returned on the next exchange day.

11. In the event of any exchange draft being dishonoured, without prompt and most satisfactory explanation of the cause, the bank issuing such draft shall be immediately excluded from the clearing-room, and their notes shall be refused in all future transactions with the public.

12. The exchanges shall be made alternately—on Thursdays in the Bank of Scotland, and on Saturdays (with the relative settlement on Mondays) in the Royal Bank; and these banks will undertake to receive from the banks which are debtors, and to pay to the banks which are creditors in the exchanges, the exchequer bills, Bank of England and other notes, and gold, which are passed in payment of the balances; but the Bank of Scotland and the Royal Bank shall not, nor shall either of them, be in any way responsible for the exchange transactions, nor otherwise soever.

13. The clerks of the different banks shall appear in the clearing-room at ten o'clock A.M. on Thursdays and Saturdays, and, before the exchange operations commence, they shall write down, on the board allotted for the purpose, the amount of exchequer bills held by the banks they represent; and after the balances are struck and ascertained on the settling days, they shall mark on the same board the exchequer bills which will be in their hands after the balances are settled by the Bank of Scotland and Royal Bank; and this is to be considered the number on which all transactions in the purchase and sale of exchequer bills for that day shall be founded.

14. After the balances are struck on Thursdays and Mondays, statements of the same shall be conveyed to the respective banks by their own clerks, who shall afterwards attend in the clearing-room, to pay and receive the balances due, at half-past eleven o'clock on Mondays, and at half-past three o'clock on Thursdays, after the vouchers of the balances of the Glasgow exchange of that day are received. These are to be conveyed, by a special messenger, from the Glasgow banks of issue alternately, and to be delivered by him personally at the banks, to whom they are addressed in Edinburgh.

15. The British Linen Company having, from a desire to promote the general convenience, consented to forego the advantage they have hitherto enjoyed of making their whole exchanges with banks junior to themselves within their own office, no certified statements of their separate exchanges will henceforth be necessary.

16. The seventh and eighth regulations will tend, in a great degree, to equalize the amount of exchequer bills among the different banks; but as it may possibly happen, notwithstanding, from some peculiar state of the exchanges, that exchequer bills may accumulate in the hands of one bank to a considerable amount beyond its quota and two-thirds more, without the power of sale to any other bank, according to the above regulations, then that bank, when the amount on hand exceeds fifty-seven, may require the bank holding the fewest number, although not under one-third of their quota, to purchase up to their quota, and so on to the next lowest, until the stock of the selling bank shall be reduced to the original quota and two-thirds more.

17. The annexed Schedule will be the guide to distinguish the ex-

treme points, in terms of the seventh and eighth regulations, at which sales and purchases of exchequer bills are to proceed.

18. All the exchanging banks shall have free access, at such times as may be convenient, to the record of the exchange transactions.

19. The subscribers, having framed these regulations with the view to keep the circulation of Scotland in a sound state, as well as to give facility in the settlement of their balance of notes issued in the fair way of business, and being of opinion that it is discreditable in a bank of issue to force its notes into circulation, by exchanging them for other notes in the circle, they resolve to check and discourage any such irregular issues by every means in their power.

20. It is further understood and agreed, in consideration of the circulation of each bank (other than what may be issued against gold and silver coin) being fixed and limited, by the Act 8 & 9 Vict. c. 38, that the banks shall bring to the exchange-room regularly, at their head office and agencies, all the exchangeable notes which they receive, and that under no circumstances shall any bank issue the notes of another bank of issue in Scotland without permission first asked and obtained.

21. The parties to this agreement shall be entitled to withdraw from it, and to receive back their exchequer bills at their par value, with accruing interest, on giving three months' notice.

Edinburgh, Feb. 16, 1846.

Alex. Blair, for the Bank of Scotland.
Robert Sym Wilson, for the Royal Bank of Scotland.
Tho. Corrie, for the British Linen Company.
Robert Paul, for the Commercial Bank of Scotland.
George Crosbie, for the National Bank of Scotland.
Saml. Hay, Cashier, for the Union Bank of Scotland.
Peter Ramsay, for the Western Bank of Scotland.
William Fleming, Manager, Edinburgh, for the Clydesdale Bank.
Arch. Bonar, for the Edinburgh & Glasgow Bank.
Robert Bell, for the City of Glasgow Bank.

VI.—*Exchange Banks, and Exchange Companies.*

As these institutions exist only in Scotland, they may fairly be classed among the banks of Scotland. At the period they originated I wrote the following letter to the late Patrick Maxwell Stewart, Esq., M.P. for Renfrewshire, who had asked my opinion on the subject. This letter was afterwards published in the *Railway Herald.*

"In compliance with your request, I will now give you my notions respecting the new Exchange Banks recently formed in Scotland.

"1. A division of labour among banking institutions is by no means a new idea. There is scarcely any bank that carries on every branch of the business of banking. The dealing in foreign exchanges, which forms so large a portion of the business of Continental bankers, is quite unknown to English bankers; it is confined to merchants, or to large moneyed houses, like the Messrs. Rothschild. In London, the West-end bankers, as Messrs. Coutts and Messrs. Drummond, do not discount commercial bills, but confine their advances to mortgages, as their connexions lie chiefly among the aristocracy; while the city bankers look on mortgages with horror, and make their advances by the discount of bills and short loans on personal security. Loan Banks, or Monts de Piété, have been in existence for several centuries as a distinct branch of business, and loan societies are now sanctioned with us by Act of Parliament. Some London bankers do not take the agency of country banks, while the agency of colonial and foreign banks is often taken by mercantile houses, who carry on no other part of the business of bankers. I might add to these illustrations, but these are enough to show that division of labour among banking institutions is accordant with every-day practice, and therefore the new exchange banks, in marking out for themselves a particular line of conduct, cannot be charged with any deviation from acknowledged principles.

"2. But then comes the question—Is the particular department of banking marked out for themselves by the new exchange banks sufficiently extensive to justify the formation of banks for that particular department, and also sufficiently lucrative to justify the anticipation of profit to the shareholders? With regard to the extent, there can be no doubt that, from the formation of railways, and the multiplication of companies of all sorts, those kinds of securities on which commercial banks do not like to make advances are largely on the increase. It is likely, too, that these exchange banks

would attract much business in the way of advances on goods, &c., which is now done by brokers or individual capitalists. With regard to profit, it is well known that loans on the kind of security taken by the exchange banks are always charged a higher rate of interest than commercial bills.

"3. One reason for the formation of banks to take up this particular line of business is, that it requires a peculiar kind of knowledge in the manager. He must make himself acquainted with certain points of law connected with shares, with the value of all shares in the market, the history and prospects of each company, the law and practice with regard to bonded goods, and other matters that do not usually come under the notice of the manager of a commercial bank, and the knowledge of which he could not readily acquire and maintain without neglecting other matters of, to him, greater importance.

"4. Although the rate of interest obtained by the exchange banks, will be higher than what is termed the market rate, yet it will be affected by the market rate, and hence I think an exchange bank cannot yield a high dividend to its shareholders, unless it transacts a large amount of business. The only deductions from the interest received must be the expense of the establishment. Every commercial man knows that a large establishment can be conducted with a less *proportional* expense than a small one. To conduct even a small business with safety, an exchange bank must have a first-rate manager; but as the business increases, the same manager transacts the increased business, and the chief increased expense is in the number of clerks. In a large bank the expense may form a small proportion to the profits; in a small bank the expense may equal the profits, or even exceed them. To do a large business, of course an exchange bank must have a large capital.

"5. After a while, these exchange banks may obtain funds beyond their own capital. The commercial banks obtain such funds by the issue of notes, the balance of drawing accounts, lodgements on deposits, and the issue of drafts on London and elsewhere. None of these means are adapted for exchange banks except the lodgements on deposits. After

they are better known to the public, perhaps they may be able to receive deposits for three, six, or twelve months certain, on which they may afford to allow higher interest than is allowed by the commercial banks. Possibly some persons may prefer lending to these banks on liberal interest rather than lending on mortgage. Any large extent of this business would, of course, add proportionably to the profits of the bank.

"6. I know of no better form of government for an exchange bank than a board of directors and a manager. Commercial banks find a large board useful, as the number of directors exalts the bank in public estimation, and extend its influence, but with an exchange bank a small number of efficient directors would be preferable. But all banks should avoid what are called 'managing directors.' A manager is selected because he has had a banking education, and has obtained banking experience. Over him are placed two directors, who have had no banking experience. The manager is thus reduced to a clerk, and having neither power nor responsibility, he has no stimulus to exertion. The managing directors being members of the board, their brother directors do not scrutinize their acts so closely as they would the acts of the manager. These other directors thus become ciphers. A bank thus governed resembles a private bank with two partners, with this difference, that the private bankers understand their business, and deal with their own money. The main objects of managing directors are to direct the manager, and to manage the directors. Most of the English joint-stock banks that have gone astray have been either constitutionally or practically governed by managing directors. The great object of the exchange banks should be to manage their affairs prudently; though a large business is essential to good profit, yet they should not attempt a large business with a small capital. Let them get a large paid-up capital first, and the large business will come of course. The main danger to which they are exposed is, that they may attempt to get on too fast.

"7. An obstacle to the progress of these banks is the stamp-

duties on the transfers of shares. I trust these and all other banks and companies will use their influence to get these duties abolished. In political economy, there is no proposition capable of clearer demonstration than that domestic taxes on the transfer of property are pernicious. Our government seem to have recognised this principle last session in their spontaneous surrender of the auction duties. There is no more reason in laying a tax upon the sale of railway shares than there would be in laying a tax upon the sale of iron and timber. It will be a happy thing if the formation of exchange banks should have the effect of causing these taxes to be repealed.

"4. You will perceive from what I have written that my opinions are in favour of these exchange banks. Presuming they will be well managed (for without good management no bank can succeed), I think they will be found profitable channels for the employment of capital, and after a while may worthily take their place side by side with the other banking establishments of Scotland."

The following extracts, from a letter addressed in March, 1847, by George Kinnear, Esq., the manager of the Glasgow Commercial Exchange Company, to Alexander Blair, Esq., the treasurer of the Bank of Scotland, point out the difference between the business of those companies and that of the Commercial Banks :—

"The advances of exchange companies are all made, irrespective of commercial credit, on the security of shares in joint-stock companies. Although these shares present the most undeniable and complete security, *they do not present* what all prudent bankers understand by *a legitimate banking security.* Every banker knows that he might as well devote his funds to lending over land as over shares; that when he does so, he in reality *abstracts his funds from banking,* and to that extent loses his banking power; and that, just in proportion as he does so, he must be prepared to give up his commercial business.

"It is this which has induced prudent bankers, not only in Scotland but everywhere else, to repudiate such transactions as inconsistent with the prosperity of their commercial business. They do occasionally lend a customer over his shares, as they also occasionally lend a customer over the security of his title deeds, but they regard both as equally

foreign to their legitimate business, and are well aware that if they practised either for any length of time they would ruin their legitimate commercial trade."

"The Commercial Exchange Company allows interest at 5 per cent. on deposits for six months certain, and repayable at three months' notice. The Bank of Scotland allows interest at 4 per cent. on deposits repayable at call. I may appeal to any respectable banker, bill-broker, or money-dealer of any kind, if a difference of one per cent. per annum is too much between money for nine months certain, and money at a moment's notice? I maintain that it is not; and that the extra one per cent. which we pay is justly due on account of the superior character of the article which we receive."

"The whole of the money lent by the Commercial Exchange Company is at the rate of 6½ per cent. per annum, and is lent for six months at a time. On all six months' paper the Bank of Scotland charge 6 per cent., so that the Commercial Exchange charge only one-half per cent. more than the Bank of Scotland. Nor is this half per cent. charged for nothing; as the bank has no trouble in taking bills at six months, while the Exchange Company has the trouble and risk of taking over securities, and of renewing and changing them for the parties as they may desire."

"The Exchange Company allows 5 per cent. for money, and charge 6½ per cent., making a fixed difference in favour of the company of 1½ per cent. The Bank of Scotland allows on current accounts 3½ per cent., on deposit receipts 4 per cent., and charges on bills under four months 5 per cent., and above four months 6 per cent.; making a difference in favour of the bank varying from one per cent. up to 2½ per cent."

"The directors of the Commercial Exchange Company have allowed to the public 5 per cent. on money deposited with them; and they have done so, although the Bank of Scotland and the Royal Bank only allow 4 per cent."

"If money, repayable on demand, be worth to these banks 4 per cent., it follows, as a matter of course, that money for six months certain, and repayable at three months' notice, ought to be worth 5 per cent."

"I beg of you to recollect what class of people it is who are the great majority of depositors. Mostly persons incapable of working—maiden ladies, widows, and orphans—people incapable of making the most of their money for themselves—nay, most of them, either from their sex or their ignorance of business, hardly capable of judging where their money is safe.

"It is a very great pleasure to me to know that the establishment of the exchange companies has been of great service to this class of persons. Hundreds of persons of moderate means have had their comforts increased, by the increased interest they thus derive from the money, on

the produce of which they are obliged to live; and I rejoice to believe, that thousands will yet enjoy similar benefits."

"The Exchange Companies no more compete with banks than do the river trusts, harbour trusts, railway companies, road trusts, and other public undertakings, who borrow money for lengthened periods. There is, in fact, no possible room for jealousy or competition between banks and exchange companies, for there is no business undertaken by the one which could be accepted of by the other with any safety or propriety. You will yourself acknowledge that the Bank of Scotland could not afford to receive money on deposit for nine months certain at 5 per cent.; and I assure you the Commercial Exchange Company could not afford to give 4 per cent. for money at call."

"We do not, in the smallest degree, injure or interfere with the prosperity of commercial banking; on the contrary, the establishment of exchange companies must have given a very acceptable apology to prudent bankers for declining to make advances to their customers on securities, which (although quite good in themselves) are as foreign to prudent banking as advancing money on mortgage over land."

"What you call evils are in fact great public benefits. First, by conferring substantial advantages on a certain class of depositors; and secondly, by enabling the internal improvements of the country to be carried out with an ease and rapidity which could not otherwise be attained."

The Exchange Bank and Companies that have been formed in Scotland are the following:—

1. The Exchange Bank of Scotland, at Edinburgh.
2. The Commercial Exchange Company, at Glasgow.
3. The Union Exchange Company, at Glasgow.
4. The National Exchange Company, at Glasgow.
5. The Glasgow Exchange Company, at Glasgow.
6. The West of Glasgow Exchange Company, at Glasgow.

The following account of these companies appeared in the fifth edition of this work:—

1. The Exchange Bank of Scotland.—This bank has a charter under Sir Robert Peel's Act of 1845. Its paid-up capital is 350,000*l.*, and it has about 400,000*l.* deposits. It cannot issue notes. In making payments it issues the notes of the City of Glasgow bank. It has paid a dividend of 6 per cent.

2. The Commercial Exchange Company.—This bank has

no charter. It was established before the passing of the Act of 1845, but not registered until after the passing of the Act. It has since registered, and hence the directors consider that they are entitled to carry on business as a bank without a charter. The extracts we have made from the pamphlet of Mr. Kinnear, the manager of this bank, will show the principles on which it is conducted.

3. The Union Exchange Company of Glasgow does not profess to be a bank at all, and hence avoids the question of a charter. At a special general meeting of shareholders, held in November, 1846, it was resolved "that the word 'banking' be omitted from the name or firm of the Company, as prescribed by the first article of the contract of copartnery, and from the description of companies referred to in the third article of said contract; and that a special declaration be added to the said third clause of the said contract, that it has not been, and does not form any part of the business of the company to make advances simply on personal security, unaccompanied by the collateral security of real or personal property." Its paid-up capital is about 250,000*l.*, on which it has paid a dividend of 7½ per cent.

4. The National Exchange Company.—This company has been very unsuccessful. It commenced in the year 1845, and got into difficulties at the end of 1847. Their first paid-up capital was 210,790*l.* They since made a call on 57,000 shares, to enable them to meet their liabilities.

5. The Glasgow Exchange Company began business in 1847, and wound up creditably in 1848, returning to their shareholders 4*s.* per share more than they had paid up.

6. The West of Scotland Exchange Investment Company, on winding up its affairs, was expected to return to its shareholders nearly the whole of its paid-up capital—about 120,000*l.*

The losses that have fallen upon exchange companies seem to have arisen mainly from the great reduction that has taken place in the price of railway shares. The following observations of the directors of the Glasgow Exchange Com-

pany, with reference to the prosecution of their business, appear very just and impartial—

"The directors will first state the negative view of the question. From the nature of the transactions which form the general business of exchange companies, their success depends chiefly upon a high state of the prosperity of the country, and particularly of railway enterprise. The main object of nearly all who enter into such transactions is to realize the benefits of an expected augmentation of the value of the stock; the business, therefore, is necessarily attended with risk, and though that risk may be guarded by what appears an ample margin, recent experience has shown that this has not been a sufficient precaution.

"The directors will now state what has occurred to them in favour of prosecuting the business.

"The magnitude of railway stock in this country is so great, that it may be fairly concluded it will always form a subject of extensive dealings, and that, therefore, there will always be a large field on which business may be cultivated. In ordinary times, the risks attending the business of the company would not be much; and it is not to be expected that a period such as has just been passed, distinguished by extraordinary vicissitudes in the value of public securities, will often occur.

"The prejudice which exists against such companies at present, time may remove, for it does not appear to the directors that the grounds of that prejudice rest on any principle that would not apply to any other joint-stock company; but it is not to be concealed that the existence of this prejudice will be an obstacle, for a time, to the facility of increasing the paid-up capital, and the increase of loans from the public,—both essential to the profitable results of the business."

What amount of capital was returned in each case I do not know, but the losses were very great, and in some instances they were increased by the determination of the shareholders to sell their securities at any price, and divide among them the capital which remained. The above record of the rise and fall of these Exchange Associations will furnish an illustration of the previous excitement and the frightful reaction that marked the year 1847. At some future time similar societies may possibly be formed under more favourable circumstances.

SECTION VII.

THE BANKS OF IRELAND.

THE last Act of Parliament for regulating banks in Ireland is the 8 & 9 Vict. cap. 37, passed in the year 1845.

This Act recites that by the Act 21 & 22 Geo. III. an Act was passed for establishing a bank by the name of the Governor and Company of the Bank of Ireland; and which prohibited any other company consisting of more than six persons to issue notes payable on demand or within any time less than six months. That by the Act 1 & 2 Geo. IV. cap. 72, other companies consisting of more than six partners might issue notes payable on demand, at a greater distance than fifty miles (Irish) from London. And that by 6 Geo. IV. cap. 42, and 1 Wm. IV. cap. 32, such co-partnerships of bankers might transact certain matters of business by agents in Dublin, including the payment though not the issue of notes.

The Act farther recites that the Bank of Ireland had at various times advanced for the public service, the several sums of 600,000*l.*, 500,000*l.* and 1,250,000*l.* late Irish currency; and that by the 48 Geo. III. cap. 103, the charter of the Bank of Ireland was extended to the 1st day of January, 1837—upon twelve months' notice to be published in the *Dublin Gazette*, and after the repayment of the abovementioned sums. And that by the Act 1 & 2 Geo. IV. cap. 72, the Bank of Ireland had agreed to advance a farther sum of 500,000*l.*, and the bank was empowered to enlarge their capital to 3,000,000*l.*; making the total advances 2,850,000*l.* late Irish currency, equal to 2,630,769*l.* 4*s.* 8*d.* sterling money of the United Kingdom of Great Britain and Ireland; on which, by the Act 3 & 4 Vict. c. 75, the bank received an annuity from the Government of 115,384*l.* 12*s.* 4*d.* sterling, payable on the 5th of January and 5th of July in each year, redeemable upon six months' notice, to be given after January 1st, 1841, and after payment of the abovementioned sums.

The Act farther recites, that the above annuity of 115,384*l.* 12*s.* 4*d.* has, with the consent of the said governor and company, been reduced to 92,076*l.* 18*s.* 5*d.*, being at the rate of 3½ per cent. per annum on the capital sum of 2,630,769*l.* 4*s.* 8*d.*, which capital sum shall not be repaid until the expiration of six months' notice, to be given after January 1st, 1855; and that, during such term, the said governor and company shall manage the public debt free of all charge. The company is to continue a corporation, for the purpose of carrying on the business of banking, but not to have any exclusive privileges. The charter to continue until the expiration of twelve months' notice to be given, and published in the *Dublin Gazette*, after January 1st, 1855, and upon repayment of the sums due from the Government to the bank.

The Act removes, from the 6th day of December, 1845, all restrictions upon banks having more than six partners issuing notes and carrying on business in Dublin, and within fifty miles thereof. But no bank shall issue any larger amount of notes than the average amount he had in circulation during the year ending the 1st day of May, 1845 (which amount shall be certified by the Commissioners of Stamps), and the amount of gold and silver coin he may have in his hands, in the proportion of not more than one-fourth of silver to that of gold.

In case two banks should unite, the new bank to have the power of issue to the amount of both the united banks. Any bank may arrange with the Bank of Ireland to give up its issue; and in that case the Bank of Ireland may increase its issue to that amount. But the bank that thus contracts shall not afterwards resume its issue. All notes for a fractional part of a pound are prohibited. Each bank issuing notes is required to send to the Stamp Office weekly returns, stating the amount of notes in circulation on each Saturday, distinguishing those below 5*l.*; and also the amount of gold and silver coin held at each of the head offices or principal places of issue in Ireland. And from these returns the Commissioners of Stamps and Taxes shall make a monthly return, which shall be published in the *Dublin Gazete.* This

monthly average must not exceed the amount certified by the commissioners and the amount of gold and silver on hand.

All banks are required to send a list of their shareholders to the Stamp Office, every year, between the 1st and the 15th of January, to be published in the *Dublin Gazette* before the 1st day of the succeeding March. All banks, whether they issue notes or not, are entitled to sue and be sued in the name of their public registered officer.

Upon the Act of 1845, for the regulation of Banks in Ireland, we may observe :—

1. The authorized issue is like that of the banks of Scotland, the average amount of the year ending on the 1st day of May, 1845.

2. If any two banks unite, the new bank may issue to the amount of the circulation of both the united banks. Here the law is the same as that of Scotland, but different from that of England.

3. If any bank gives up its issue, and agrees to issue Bank of Ireland notes, the Bank of Ireland may increase her authorized issue to the full amount of the issue of the bank whose notes are withdrawn. In England, the Bank of England can, in a similar case, issue only to the extent of two-thirds of the issue of the bank whose notes are withdrawn. There is no similar provision in the Act referring to Scotland.

4. Another difference may be noticed between Ireland and Scotland. All the notes issued at the branch banks in Scotland are payable only at the head office of the bank that issued them. In Ireland all the notes are legally demandable in gold at the branches where they have been issued. Hence the banks in Ireland must keep some gold at every branch, while the banks in Scotland need not have any gold except at the head office. In both countries, the banks must hold a stock of gold equal to the amount of notes in circulation beyond the authorized issue: and, according to the Act, this gold must be at the head office, or chief place of issue. The gold held at the branches, however necessary

for business purposes, is not taken into account in the returns to the Stamp Office. The banks, indeed, return the whole amount of the gold in their possession; and it is this which is published in the newspapers. But the amount held against the excess of authorized issue must be held at the chief office, or other chief places of issue. In the Provincial Bank of Ireland these places are Cork, Limerick, Dublin, and Belfast; the Bank being desirous of having in addition Waterford and Sligo.*

The banking institutions of Dublin are the Bank of Ireland, which is a chartered bank, like the Bank of England. It is the Government bank. It issues notes, and has branches in the principal towns throughout Ireland. It has now no exclusive privileges.

The Provincial Bank of Ireland, and the National Bank of Ireland. These are joint-stock banks that issue notes, and have numerous branches. These two banks are governed by boards of directors, who meet in London.

The Hibernian Bank, and the Royal Bank of Ireland. These are joint-stock banks, that do not issue notes, and have no branches, except that the Hibernian Bank has a branch at Drogheda.

The private banks of Messrs. La Touche & Co., Messrs. Ball & Co., and Messrs. Boyle, Low, Pim & Co.

There are three joint-stock banks at Belfast, all of which issue notes and have branches. They are the Northern Bank, the Belfast Bank, and the Ulster Bank.†

The Bank of Ireland.

In tracing the history of banking we may observe that most public banks have been formed, in the first instance, under the protection of the Government of the state in which they were established. Such was the case with the Banks of Venice, Genoa, and Amsterdam; and such, too, was the

* Mr. Murray's Evidence—Lords, 4279.

† Since this was written the Union Bank of Ireland, Limited, and the Munster Bank, Limited, have been established.

case with the Banks of England, of Scotland, and of Ireland. The former were closely connected with the state, and may properly be called "State Banks;" the latter had peculiar privileges bestowed by charter, and are usually called "Chartered Banks." These privileges may be divided into two classes, those which refer to the proprietors themselves, and those which refer to other parties. The privileges of the first class relate to the amount of capital, the form of government, the number of the directors, and the mode of their nomination, the meeting of the proprietors, and the specification of the branches of business the bank are allowed to carry on. The privileges of the second class refer to the restricted liability of the shareholders, and the prohibition of other parties carrying on the same business.

If the charters granted to banking companies conferred only the first class of privileges, they would be liable to but little objection. In the infancy of commerce and of banking, the assistance of the Government may with propriety be granted to encourage the formation of institutions, so eminently calculated to promote the public advantage. But of what avail are prohibitory clauses? If no other persons are disposed to form similar institutions then those prohibitions are a nullity. But if other parties are disposed to form similar companies, without the assistance of the Government, then why should the Government interfere at all? Why should they grant a charter to effect an object which can be effected without their assistance?

In the charter first granted to the Bank of England in 1694, there was no prohibitory clause. But when the charter was renewed in 1708, it was enacted that no other company formed of more than six persons should carry on the business of banking in England. The charter granted to the Bank of Scotland, in 1695, contained the following prohibition—"That for the period of twenty-one years from the 17th of July, 1695, it should not be lawful for any other persons to set up a distinct company or bank within the kingdom of Scotland." This privilege was not renewed after the expiration of the twenty-one years; and in the year

1727, a charter, without any prohibitions, was also granted to the Royal Bank of Scotland. In the year 1746, the British Linen Company was formed, and carried on the business of banking as a joint-stock company. Subsequently this bank also obtained a charter, but without any exclusive privilege. Hence Scotland has had the advantage of chartered banks, and joint-stock banks, and private banks, all working well together without producing those effects which in this country have followed the prohibitory clauses of the charter of the Bank of England.

Both in its constitution and government the Bank of Ireland closely imitated the Bank of England; and it has produced in Ireland most of the advantages and evils which that establishment has produced in this country. It has supplied the country with a currency of undoubted solidity; it has supported public credit, it has granted facilities to trade, and it has assisted the financial operations of the Government. On the other hand, its prohibitory clause necessarily led to the formation of many private banks, whose failure was the cause of immense wretchedness to all classes of the population.

The charter of the Bank of Ireland contained a clause, which prevented more than six persons forming themselves into a company to carry on the business of banking in Ireland. In the year 1824, they surrendered this exclusive privilege, as far as regards those places which are situated at a greater distance than fifty Irish miles from Dublin; and in 1826, the Bank of England made a similar surrender, with regard to places at a greater distance than sixty-five miles from London. As eleven Irish miles are equal to fourteen English miles, fifty Irish miles are equal to about sixty-five English miles. But it must be observed, that Dublin is situated on the sea-coast, therefore, the Bank of Ireland had only the monopoly of a semicircle, whose radius is fifty Irish miles. But London, being situated inland, the Bank of England had the monopoly of a whole circle of 130 English miles in diameter.

The Bank of Ireland was established by an Act of Par-

liament passed in 1782, 21 and 22 Geo. III. cap. 16. The following are the provisions of this Act:—

The capital was 600,000*l.*, which was lent to Government at 4 per cent. No one person was permitted to subscribe more than 10,000*l.* If the bank incurred debts to a greater amount than their capital, the subscribers were answerable in their private capacity to the creditors in proportion to their subscriptions. The bank were not either to borrow or to lend money at a higher interest than 5 per cent., nor to engage in any business but banking. The stock to be transferable and deemed personal estate, and as such to go to the executors of the holders, and not to their heirs. No transfer of bank stock to be valid, unless registered in the bank books, in seven days from the contract, and actually transferred in fourteen days; the charter to expire at twelve months' notice after the 1st day of January, 1794, and repayment of all sums due by the Government to the bank.

The charter is dated May 15, 1783, and contains as follows: —Such persons as should subscribe before January 1, 1784, the sum of 600,000*l.* were to be formed into a corporation, to be styled the Governor and Company of the Bank of Ireland; the corporation were to have a governor, deputy-governor, and fifteen directors; which governor, deputy-governor, and directors, or any eight or more of them, shall be called a Court of Directors, for the management of the affairs of the corporation.

Fifteen directors shall be chosen annually, between March 25 and April 25 in each year, and not above two-thirds of the directors of the preceding year to be re-elected.

The notice for the meeting of general courts of proprietors to be affixed upon the Royal Exchange in Dublin at least two days before the time of meeting. The qualification for a voter at a general court shall be 500*l.* stock, to be held for six months preceding, unless it came by will, marriage, &c. The qualification for governor shall be 4,000*l.* stock, and for deputy-governor 3,000*l.*, and for director 2,000*l.*

No dividend shall at any time be made by the said governor and company, save only out of the interest, profit, or produce, arising by or out of the said capital, stock, or

fund, or by such dealing, buying, or selling, as is allowed by the said Act of Parliament; nor without the consent of the members of the said corporation, in a general court qualified to vote as aforesaid.

The governor, or deputy-governor, shall summon four general courts at least in every year. One in the month of September, one in December, one in April, and another in July.

The governor or deputy-governor shall also summon a general court, whenever requested to do so by nine members, each holding 500*l.* stock.

If governor and deputy-governor be absent one hour after the usual time of proceeding, at any general court or court of directors, a chairman shall be chosen for that time only, who shall have like privileges as the governor or deputy-governor.

Governor, deputy-governor, or chairman, not to vote in general courts, or court of directors, save when there shall happen to be an equal number of votes on each side.

The Bank of Ireland commenced business at St. Mary's Abbey, June 25, 1783. After the Union, its office was removed to the Parliament House.

In the year 1821, the capital of the Bank of Ireland was increased from 2,500,000*l.* to 3,000,000*l.* Irish currency. The additional sum of 500,000*l.* was taken from the bank's surplus fund, and lent to the Government at 4 per cent., to be repaid by the 1st January, 1838. The increased capital was divided among the proprietors, at the rate of 20*l.* for every 100*l.* they possessed. In consideration of this increase of capital, the bank consented to a clause in this Act, whereby persons in partnership, residing fifty miles from Dublin, might carry on the business of banking, although such partnership might consist of more than six partners; but that such partnership should possess no other privilege than being allowed to sue and be sued in the name of a public officer, should Parliament hereafter think fit to grant such a power. This privilege was of little practical use, for, according to the construction put upon the Act, it required that all the partners in these banks should reside in Ireland.

In this year an Act was passed (5 Geo. IV. cap. 73), "to relieve bankers in Ireland from certain restraints imposed by the provisions of the 29 Geo. II., and to render all and each of the members of certain co-partnerships of bankers, which may be established, liable to the engagements of such co-partnerships, and to enable such co-partnerships to sue and be sued in the name of their public officer."

Those clauses in the former Act that required the names of all the partners to be subscribed to the notes, and which prohibited bankers being traders, are by this Act repealed. Banking partnerships exceeding six persons, and carrying on business at any place beyond fifty miles from Dublin, shall be registered at the Stamp Office, Dublin; and also the names of the public officers, in whose names such partnerships sue and are sued. The names of those public officers were also required to be subscribed to all notes and receipts issued by the company. Judgments against the public officers to operate as judgment against the partnership, and execution upon judgment may be issued against any member of the society, and the public officer to be saved harmless.

In the year 1825 was passed the "Act for the better regulation of co-partnerships of certain bankers in Ireland." It was obtained by the directors of the Provincial Bank of Ireland, as the Acts previously granted did not furnish the facilities which the Provincial Bank required for the beneficial exercise of its operations. It confirmed the permission granted by former Acts to establish joint-stock banks at a greater distance than fifty miles from Dublin, and permitted persons resident in Great Britain to become shareholders in such banks. The banks were required to register at the Stamp Office in Dublin an account of the names of the firms, the several partners therein, and the public officers thereof. The partnerships shall sue and be sued in the name of their public officers. Parties obtaining judgments in Ireland may authorize the acknowledgment of like judgment in Great Britain; and, in like manner, parties obtaining judgment in Great Britain may proceed thereon in Ireland. Judgments against public officer shall operate against the society, and

execution upon judgment may be issued against any member of the co-partnership. All transfer of shares must be registered at the Stamp Office.

In this year, too, an Act of Parliament was passed to assimilate the currency of Ireland to that of England. It is entitled, "An Act to provide for the assimilation of the currency and monies of account throughout the United Kingdom of Great Britain and Ireland." (6 Geo. IV. cap. 79.) The Act recites, that the pound sterling in Great Britain and Ireland respectively is divided into twenty shillings, and the shillings into twelve pence; but the silver coin which represents a shilling in Great Britain is paid and accepted in Ireland for thirteen pence, and the pound sterling of Great Britain is, at the par of exchange, paid and accepted for one pound one shilling and eightpence of the currency of Ireland; and that great complexity of accounts, and other inconveniences, arise from the said difference of currencies. It then enacts, that the currency of Great Britain shall be the currency of the United Kingdom, and all receipts, payments, contracts, and dealings, shall be made in such currency. And all contracts, debts, &c., made or contracted previous to the commencement of this Act shall be carried into effect, and satisfied by payment in British currency of 12-13ths of the amount according to Irish currency. All duties and public revenues, and all funds and public debts shall be estimated in British currency, and the accounts thereof kept accordingly. After a day to be named by proclamation, British silver and gold coins shall be current in Ireland, at the same rate of pence as in Great Britain. On the like proclamation, Irish copper coin shall be brought into the Bank of Ireland, and exchanged there for British copper coin, at the rate of twelve pence British for thirteen pence Irish, and the Irish copper coin shall cease to circulate. Bankers' notes shall be made payable in British currency. No notes payable in Irish currency shall be reissued after the commencement of this Act, under a penalty of 50*l.* for each offence. Bankers may deliver into the Stamp Office reissuable notes, payable in Irish currency, and receive in lieu thereof new stamps to the whole amount

of the stamps delivered up, if dated within one year previous, or three-fourths if within two years, and one-half if within three years. This Act came into operation on the 5th day of January, 1826.

Very ample returns* of the state of the Bank of Ireland are published in the Appendix attached to the Reports of the Parliamentary Committees.

The Provincial Bank of Ireland.

Public banks may be divided into three classes:—first, Chartered Banks, those which have received a charter from the crown; secondly, Joint-stock Banks, formed under the common law; and thirdly, Joint-stock Banks, formed under the statute law.

The common law of England allowed any number of persons to form themselves into a partnership to carry on banking. At the same time, it presented this inconvenience in the formation of such partnerships—in all actions at law, it was necessary to state the names of all the individuals who composed the company. Another inconvenience of partnerships formed under the common law was, that all the partners were answerable for the debts of the company, to the full extent of their property, not only while they were partners, but after they had ceased to be partners, as far as regards any transactions that took place during the continuance of their partnership. The banks avoided these inconveniences, in the first place, by conducting their business in the names of trustees, in the same way as some of the insurance companies; and in the second place, by inserting a clause in the deed of settlement, that in case the bank should lose one-third or one-fourth the amount of its paid-up capital, it should immediately be dissolved.

The statutes 6 Geo. IV. c. 42, with reference to Ireland, and 7 Geo. IV. c. 46, with reference to England, not only repealed those Acts of Parliament which prohibited the for-

* The Bank of Ireland, like the other banks of issue in Ireland, has since the year 1845 made weekly returns of its issue, and the average amount is published in the monthly *Dublin Gazette*.

mation of banking companies having more than six partners, but they also removed the inconveniences of the common law. It was enacted, that it should no longer be necessary, in legal actions, that the names of all the partners should be placed upon the record; but that the company should register at the Stamp Office the name of some one person in whose name they wished to sue and be sued. Any party who had a disputed claim upon the company must sue this public officer, and when he had obtained a verdict in his favour, he might issue judgment against all the partners, in the same way as though he had obtained a verdict against them all. And, that he might have no difficulty in ascertaining who were or were not partners, it was required that the names of all the partners should be annually registered at the Stamp Office. The statute law also obviated the second inconvenience of the common law, by enacting that every partner, as soon as he had transferred his share, should be released from all liability as to the subsequent acts of the company, and at the end of three years he was no longer liable for any acts that took place even at the time he was a partner.

The Provincial Bank of Ireland was formed under the statute 6 Geo. IV. c. 42. Few banks have, in so short a time, advanced to so high a degree of prosperity. The circumstances of Ireland at that period were friendly to the growth of such an establishment. The recent abolition of the union duties, and the introduction of steamboats, had given a stimulus to the trade between the two countries, while nearly all the banks in the south of Ireland had been swept as by a whirlwind from the face of the land. The operations of the bank were also facilitated by the assimilation of the currency, and the measures taken by the Government and the Bank of Ireland to prevent those fluctuations in the exchanges which had previously existed. But the prosperity of this bank must be attributed chiefly to the wisdom and prudence manifested in its constitution and in its subsequent government. The capital was raised chiefly in England, and London was, consequently, made the seat of government. The board of directors was composed of mer-

chants and statesmen, and the latter were taken from the leading men of the two parties into which Ireland was then divided. The local government of the respective branches in Ireland was composed of directors possessing local knowledge and influence, and of managers selected for their experience in banking, and the manager had a veto upon the decision of the board. An inspector was appointed to visit the branches, and to report to the London office.

At the same time, the bank had considerable difficulties to contend against. Property in Ireland was considered insecure; political and religious feelings often interfered with matters of business; the habits of the people were not commercial; and the country had suffered so severely from private banking, that confidence was not easily acquired for a new company, the members and constitution of which were but imperfectly known. Before these difficulties had been completely overcome, the bank became involved in a competition with branches of the Bank of Ireland, and exposed to sudden demands for gold arising out of political events.

The object of the bank was thus stated:—

"The bank to have a capital of 2,000,000*l.*, if necessary, subscribed in shares of 100*l.* each. To have a board of directors in London, and establishments for business in the principal towns of Ireland which are distant above fifty miles from Dublin. At each of these places, a part of its stock to be subscribed, and from the stockholders a local board of directors to be chosen. The establishments to be managed by steady experienced persons sent from England, with the advice and under the inspection of the local directors, but subject to the entire control of the London board, to whom accounts shall be regularly transmitted."

The 11th Annual Report (May, 1836), in allusion to Banking in Ireland at the period of its formation, says;—"To show the progress of competition, it may be sufficient to state, that prior to 1825, when the Act 6 Geo. IV. c. 42 was passed, under which the Provincial Bank was established, the Bank of Ireland had no establishment out of Dublin.

"That in Dublin itself there were only four more, and these private banks; and that in all Ireland besides there were no other than private banks, and these only in Belfast, Cork, Wexford, and Mallow.

"From 1825 to 1834, banking offices in the chief cities and towns of Ireland had been gradually established by the Provincial Bank, the Bank of Ireland, the Northern and the Belfast Banks, to the number of about fifty; while, within the short space of the last two years, the

offices of joint-stock banks having resident managers or agents beyond fifty miles from Dublin, added to the branches of the Bank of Ireland, have increased to upwards of 120, and appear to be daily augmenting in number; besides which, there are a great variety of stations attended on market-days by non-resident agents, on behalf of one or other of such banks; and, in addition to all these, several establishments, on a large scale, have been lately announced in Dublin as in connexion with some of the joint-stock banks most recently formed in the provinces.

"The directors cannot, however, regard this unexampled rapidity of increase in the number of banks as a certain indication of prosperity. Amidst the excitement arising out of this state of things, they have considered it to be their duty to impress upon all their local directors and managers the necessity of increased caution and vigilance, and to warn them of the extreme danger of entering upon a race of competition, in which those who engage in it are too apt to overlook what is essential to their own safety."

There is no joint-stock bank of whose rise and progress we have a more detailed account than the Provincial Bank of Ireland. This account is furnished to us in the evidence given to a Committee of the House of Commons by the late secretary, Mr. James Marshall.* We recommend the following quotations to the especial consideration of students in practical banking, as showing most minutely the various steps by which prosperity is obtained by banking institutions:—

1.—*The Constitution of the Provincial Bank of Ireland.*

"Can you explain to the committee the constitution of the Provincial Bank?—I can. I may make reference to the annual reports of the institution, of which, I understand, that copies were furnished to this committee; a report is made to the proprietors on the third Thursday of May in each year.

* Mr. James Marshall was the accountant of the Provincial Bank of Ireland at its commencement, and in the year 1826 succeeded Mr. Thomas Joplin in the office of secretary. He retired in 1845, upon a pension of 1,000*l.* a-year. The chairman stated to the General Meeting in 1846, that Mr. Marshall's salary was 1,200*l.* a-year, but as 200*l.* a-year was regarded as an equivalent for a house, the Directors considered he had retired upon full pay. The officers of the Bank subscribed to have his likeness taken, and an engraving was presented to each subscriber. After his retirement he became an auditor of an insurance office, and a Director of the Oriental Bank. In the latter capacity he paid a visit to Bombay in the year 1847. He died in London on the 14th day of January, 1852.

"By whom is that report prepared?—By a special committee.

"A committee of the board of directors?—A committee of the board of directors, whom it is my duty to attend on such occasions, and to be their organ in acting as the clerk of that committee.

"When that sub-committee has prepared the report, what further step is then taken?—It is submitted then to the general court of directors.

"Is it examined by them?—By the general court; it is laid before them, and every part of it is explained to them; and they have it in their power to examine any part, to refer instantly to the books, or the source from which it is drawn. The committee in making it up go very minutely to work, and examine very particularly.

"Then are the committee to understand, that before the report is laid before the proprietors, that report is first submitted to a select committee, reported by them to the general court, and approved of by the general court?—It is; it is, in the first instance, signed by the chairman of the committee, when presented to the general court.

"When laid before the proprietors, is it laid before the proprietors on the responsibility of the court of directors?—Completely so.

"Just confine yourself at present to the constitution of the bank.—'It may be here proper to state, for the information of the proprietors, the regulations which have been adopted, in the first place, for conducting business in a proper manner at the branches; and, secondly, for the control and superintendence which are exercised over them by the directors in London. First, as to the branches; for the due management of the business at each a suitable house has been obtained, and the following officers have been provided; viz., manager, accountant, teller, clerk, porter; all of whom find security for their fidelity. Where the scale of business requires it, the number of the inferior officers is increased, but there are only two principal officers at any branch, viz., manager and accountant; and for securing more effectually the proper discharge of the duties of all, and assisting the manager with advice and information, there has been appointed at each station a board of local directors, consisting, according to circumstances, of three, four, or five gentlemen of the first respectability in the place, who, in order to be eligible, must themselves have an interest in the establishment, by holding ten shares each of its stock. The duty of these gentlemen is to meet daily at a given hour at the bank's office, and, along with the manager, to judge of bills presented for discount, and of all applications for credits. For every act of business of this nature it is necessary that two local directors and the manager be present; and it is provided, that where applications for discounts or credits exceed, in individual cases, a certain fixed amount, or when the manager differs in opinion from the majority of the local board, the matter must be submitted to the decision of the court of directors in London. It is further the duty of the

local directors to compare daily the vouchers with the entries in the cash-book, to count, at stated intervals, the cash in charge of the manager, and to certify the returns made periodically from the branch to London.'

"Are the committee then to understand distinctly that the local directors, in the case in which the manager, who is the head officer of the society, differs with them, although he may differ singly, are bound to refer those cases to the London board before any decision is come to?—In every case.

"In another contingency it would appear, that where the pecuniary transactions in question exceeded a given amount, that, too, although the board might be unanimous, is brought under the consideration of the London board of directors?—It is.

"What does that sum generally amount to? Is it a fixed sum, or does it vary according to the circumstances of the different branches?—It has varied according to circumstances; but, generally speaking, from 300*l.* to 500*l.* is considered the extent to which anything in the shape of a credit, other than the discount of a mercantile bill, would go."

2.—*The Selection of Officers.*

"Be so good as to explain to the committee what steps were taken by the Provincial Bank of Ireland in the selection of their various paid officers at the branches?—I believe that is detailed in this said report. 'The selection of officers in particular was a matter of paramount importance, both on account of the great number required to fill the intended situations in Ireland, and the necessity there was to scrutinize their qualifications as to character and ability. Communications were made on this subject with various gentlemen in different parts of the country, from whom it was expected the best information could be obtained. The prospectus of the society having set out with the resolution that the business should be conducted on the principles which had been so long and so succcessfully acted upon in Scotland, it seemed desirable to obtain from that country persons trained up in banks there, provided their qualifications in other respects were such as to recommend them. With this view, the secretary' (that was not myself at the time) 'was sent down to Edinburgh in February for the purpose of making inquiries; and notice having been given in the public papers that persons were wanted to fill situations in the projected establishments in Ireland, a gentleman in the above city was employed to receive applications and to institute the most minute and scrupulous inquiries regarding the character and qualification of those who should apply. Another gentleman from the same city was also engaged to proceed to London, to assist the directors in the formation and prosecution of a plan for conducting the business, when they should be ready to commence it in Ireland' (that alludes to myself). 'The extensive corre-

spondence which the applications and inquiries, produced by the measures above mentioned, necessarily occasioned, occupied the attention of the directors very closely, and for a considerable length of time, and the result has been that the services of a number of most valuable officers have been secured to the society.'

"But at that period was there a greater facility in procuring the services of gentlemen more particularly who had experience in the Scotch banking than there would be subsequently, when there was a more active competition in the establishment of banks?—No doubt of it.

"What description of security were these officers required to give?—Unexceptionable personal security; two persons, at least, generally were joined in a bond for the fidelity of the officer.

"Was there any fixed proportion between the amount of the security required and of the salary paid, or the duties to be performed?—The amount had respect to the duties to be performed rather than to the salary.

"What was the general security that was taken by bond for the fidelity of these officers?—The lowest clerk was 1,000*l.*; the highest 10,000*l.* for a manager at the largest branch.

"And that has been enforced by the Provincial Bank with respect to its officers?—The amount of 10,000*l.* has not been required, as we have practically found 5,000*l.* to be a more commandable sum; I would say, within the reach of the description of parties who are aspirants to these offices.

"Now, with respect to the local directors, how were they selected?—It is mentioned here, that there should be selected three, four, or five gentlemen of the first respectability in the place, of commercial knowledge, whenever those could be obtained; if having had that commercial knowledge, and being disengaged from business, they were considered as so much the more eligible.

"But in the selection of local directors, so far from excluding persons by reason of their having commercial or banking knowledge, are the committee to understand that such parties were preferred?—Where they had it, and were not understood to be in a situation to require banking accommodation for themselves.

"You have stated that the local directors were required to take ten shares each, at the least?—Yes.

"Will you have the goodness to state what the reason was that they were required to take those shares?—In order that they might have a greater interest in the establishment; feel a personal interest. I must say we have not, in every instance, been able to get gentlemen of that description. We have, in some instances, appointed gentlemen who, from various causes, declined to become shareholders; at least, we have elected gentlemen to be local directors without requiring the fulfilment of that condition: there are some instances at present of gentlemen who

are so; but no doubts regarding the solvency of the bank ever deterred any of them."

3.—*The Choice of Directors.*

"Now tell us how they are appointed?—The directors in London were, of course, originally appointed by the gentlemen who associated together for the purpose of forming this establishment; and they continued, with the approbation of the meeting, until a certain time, when, by the deed of settlement which was afterwards prepared, four were to go out every year.

"In the vacancy of the four, who appoints their successors?—The proprietors generally; the general meeting of proprietors.

"Are they re-eligible?—They are declared by the deed of settlement to be re-eligible.

"Are they recommended to the court of proprietors by the court of directors?—They are; they have been virtually so: and I beg to refer to one of the annual reports, which gives an explanation upon that point. It is in the report made the 17th of May, 1827, in which it is stated, 'The directors have now to advert to a circumstance of some importance as connected with the constitution of the society. By the deed of settlement, the number of directors was limited to twenty. Since the completion of the deed, that number has been reduced by death or resignations to sixteen; and the directors having found by experience that the latter number is quite sufficient to insure a due attendance for the efficient management of the business of the establishment, have not thought it necessary to enforce the terms of the deed by proposing the election of new members; and they think themselves now justified, by past experience, in unanimously recommending to the court of proprietors to limit the number of directors for the ensuing year to sixteen. The directors may add, that this arrangement will be attended with a considerable saving of expense; and, in conclusion, they beg to state to the proprietors an opinion in which they also unanimously concur; viz., that in future elections, it will greatly conduce to the harmony and cordiality which it is so desirable should prevail amongst the directors themselves, as well as to the good management of the bank's affairs, if a recommendation shall be made by them to the proprietors in favour of those candidates whom, after due inquiry, they shall find to be the best qualified to fill the situation.'

"Have those recommendations been generally complied with by the proprietors?—Always.

"Uniformly, without exception?—Uniformly; it has uniformly been acquiesced in. Two or three candidates had upon more than one occasion started, but when the matter was explained to them, they have uniformly acquiesced in it. It is necessary to state, to complete this, that the recommendation to limit the number of directors to sixteen was

afterwards the subject of a special provision by an additional deed of the proprietors; therefore the number cannot be extended beyond sixteen without altering the deed.

"Are the directors paid for their attendance?—They are.

"What is the amount of payment which they receive?—It is so regulated that no director can receive above 250*l.* a year, the director in London, I mean, were he attending at every possible meeting that he could.

"Is the payment an annual payment, or proportionate to the attendances?—Proportionate to the attendances, ascertained every quarter.

"According to the number of attendances so the parties are paid?—Yes, according to the attendances.

"Was that sanctioned by the proprietors and by the society?—The deed of settlement contains a provision allowing the directors to take the sum of 5,000*l.* as remuneration."

4.—*The Daily Committee.*

"Will you state how they transact their business?—By meeting daily in committee (a general committee), which is open to all to attend; but in order to be a quorum there must be three present; and by a weekly court, held each Friday, at which all ought to be present.

"Is there a record in writing of all the directions and the acts of that special committee?—There is.

"Are each of those acts brought under the examination and review of the general court on Friday?—At the weekly court they are; the minutes are read over.

"Is the question put upon the confirmation of those minutes, or is it open to the general court to vary or alter them?—The question is specially put by the chairman of the weekly court, whether it is the pleasure of that court to confirm the minutes of the past week which have been read.

"Have you known instances in the management of the bank in which there have been any variations upon the proceedings of the committee proposed by the general court, so as to show that it is an active as well as a theoretical superintendence?—I have seen instances where the subject has been brought under revision, and which has produced an alteration of the resolution of the committee.

"Having now explained to the committee the formation of your local administration at the branches, and your general administration in London, will you state what the course of proceeding is, to insure to the court in London a knowledge of that which takes place at the different branches?—I read from the report already referred to: 'Regular advices of the proceedings at the branches are transmitted by the managers to London by post every second or third day, according to circumstances; and at the end of each week a complete statement of the whole trans-

actions is made up, and forwarded by the mail-coach. These returns are first examined by the officers of the London establishment, and then submitted to the directors. For giving the necessary orders arising out of these communications, for judging of all matters referred to them from the branches, for disposing of the bank's funds in London and Dublin, and for the discharge of all other duties implied in the exercise of a superintendence over the whole establishment, whether in Ireland or in London, the directors hold regular and daily meetings.'

"Are the accounts which are sent from the branches accounts in detail of the whole of the operations of the bank?—They are.

"Are they, in fact, transcripts of the accounts of the bank from period to period?—They are so; with this explanation regarding the current accounts of parties holding accounts with the bank, every particular draft or receipt is not sent to London, or rather the entries of these, I mean, are not copied or sent to London; but there is this check on the operations of the branches, the exact balance of every man's account at the end of each week is given, and forms part of an abstract of the balance-sheet which is sent forward, and which must agree; therefore, if it were wrong, it would at once detect itself.

"Then no variation can take place in the actual balance without the attention of the court being at once called to it?—None can.

"And is the name of each individual to whom these advances are made from time to time brought under the special notice of the court of directors in London?—Yes; by the following process. The branches are divided amongst the directors, so many allotted to such a sub-committee, who take up the affairs of these branches each week in succession, and examine all the bills that have been discounted, the advances that have been made of any description, and the balance of each man's account, whether in his favour or against him."

5.—*The Inspection of Branches.*

"Have you any system of inspection by which you are enabled from time to time to verify the correctness of the proceedings of the branches? —We have: besides having a half-yearly balance-sheet made out with all the details of the affairs of each branch at the time, and which is scrupulously examined at London, there is an inspector (two at present) whose duty it is to go through the branches and to examine personally and verify every voucher and every particular, and to remain at the branch until they are fully satisfied that all is right.

"Are the visits of your inspectors at stated and known intervals, or is any branch at any one moment liable to the visit of an inspector, and to an immediate examination and verification of their accounts and bills and balances?—Every branch is so liable to be visited; there is no previous intimation given, except the visit be for some particular purpose which, by a representation from the branch, calls on the inspector to go.

"As an additional security, have you yourself, or any of the directors, been accustomed to visit the branches, and to report thereon?—I have myself every year, and sometimes oftener than once a year, even twice or three times in a year, gone to Ireland, and have gone through the whole branches, in fact, more than once, at different times; and on all occasions have made examinations which appear to me to be necessary; and besides that, the directors have in person repeatedly visited the branches; deputations of the London directors, I mean, have so done."

6.—*The Declaration of a Dividend.*

"Will you explain to the committee what steps you take before you declare a dividend?—We have regularly a balance every half-year; the dividend has only been declared once a year, at the termination of the year, which is in March; our year ends in March. Prior to that period, each manager is directed to send up a special report of every obligation which is outstanding, or of any which is doubtful, describing particularly in the report every party to such obligation; that is preparatory to going further into the matter; then when the balance at the end of March is completed, a complete balance-sheet of every branch is made up and sent to the bank, with a more detailed report. A special committee of the directors is appointed to examine those, and they go minutely through them, and weigh every outstanding debt, and strike off everything that is considered to be irrecoverable; they then consider in what degree the reports of the managers represent every other outstanding debt to be recoverable, either in full or in part; and when all that has been done, they add generally a sum to cover still any possible omission, and it is only then that the fair profits of the year are considered to be ascertained.

"Can you inform the committee how far your calculations, your annual calculations of bad and doubtful debts, have or have not been below or above the mark?—In many instances our allowances have exceeded what has turned out to be the real loss; for, as I mentioned before, the directors, in order to be more secure, have been in the practice of making an additional deduction over all the deductions made by the officers at the branches.

"Have the proprietors any power under your deed of settlement of naming any auditors, or having any examination of those accounts, so as to verify their fidelity?—We have no auditors, but there is a provision in the deed of settlement by which a certain number of proprietors may call for a further investigation of the accounts, if they are dissatisfied."

7.—*The Causes of its Prosperity.*

"Do you think there is anything peculiar in the construction of this bank which has insured its being correctly and well managed up to the

present time, or that it has rather arisen from the 'happy accident' of the directors who were selected having been honourable and correct men of business?—I conceive the very first and indispensable thing was an exceedingly respectable board of directors formed in the first instance, and which has always been maintained. In the next place, that the system of accounting that was adopted, and the check on the operations of the different branches, which has not been departed from, has most materially contributed to that good result. In the next place, there was an exceedingly good field for banking when we commenced, for Ireland was very destitute of good banks at the time, the Bank of Ireland operations having been confined only to Dublin. Therefore, from all those concurring circumstances, I conceive the prosperity of the bank has resulted."

To these causes we may add one more, stated in the Report delivered by the directors to the proprietors in the year 1836, —the non-interference of the shareholders in the distribution of the profits:—

"To this desirable position the affairs of the bank have been conducted, as the directors have great pleasure in acknowledging, by the uniform support and continued approbation of the proprietors, who, far from manifesting any impatient desire to participate in the reserved profits, have always relied with confidence on the opinion of those by whom the working of the establishment was superintended, feeling assured that whenever such participation was clearly expedient, it would not be withheld."

The National Bank (formerly the National Bank of Ireland).

The Prospectus of this bank, issued in 1834, announced that it would be conducted on the "local shareholder principle."

"It is proposed that each branch shall have a separate capital proportioned to the extent of its business, one-half to be subscribed by resident shareholders, so as to identify their interest with their own establishment, and the other half to be subscribed by the National Bank of Ireland, whose connexion with each branch, whether its separate capital consists of 5,000*l.* or 50,000*l.*, will afford it the credit of whatever capital (however large) the National Bank of Ireland may have actually paid up at the time."

"The following are the terms and conditions of subscribing:—

"1. That a company shall be formed in London, to extend to Ireland the benefit of a sound banking system.

"2. That a bank be formed in each town in Ireland, where prac-

ticable by law, and which offers a prospect of success to the operations of the company.

"3. That the object of the London company shall be to connect itself with shareholders exclusively interested in the success of each local establishment.

"4. That the principle of the bank shall be the division of profits of each bank with such local shareholders in Ireland. The capital of each branch to be subscribed equally by shareholders on the spot and the company in London.

"5. That the capital of the London company shall be 1,000,000*l.*, in shares of 50*l.* each, to be called the original capital, which may be increased as the business of the company extends; but the premium, on any addition, to go to the first subscribers.

"6. That the bank shall be formed as soon as half the capital is subscribed.

"7. That the bank shall be managed by a board in London, consisting of twenty-four directors, in whom will be vested the supreme control.

"8. That each local bank shall be managed by a board of local directors, elected by the shareholders, subject to the approbation of the directors in London."

This principle was first announced to the public by the late Mr. Thomas Joplin. He attempted to introduce it into the National Provincial Bank of England, of which he was the managing director, and to the formation of which he had materially contributed. But the practical difficulties were found to be great. It was almost impossible to arrange the preliminaries to the satisfaction of all parties, and the principle was never brought into operation. Mr. Lamie Murray, who projected the National Bank of Ireland, was the secretary of the National Provincial Bank of England, and had adopted Mr. Joplin's views on the subject. When first established, therefore, the National Bank of Ireland acted on this principle; but after a few years the independent banks in Ireland consented to become branches of the head establishment. Those at Clonmel and Carrick-on-Suir, however, declined this arrangement, and they still register as independent banks, though they are regarded by the public as branches of the National Bank of Ireland.

Another peculiarity attended the formation of this bank. Its chief connexions lay among that political party in Ireland

who advocated a Repeal of the Union, and who had been accused of causing all the runs for gold that had taken place on the existing banks. In the provisional committee we find the names of the late Daniel O'Connell, Esq., M.P., Maurice O'Connell, Esq., M.P., Fitz-Stephen French, Esq., M.P., James Grattan, Esq., M.P., and others of the same political views. The seat of government, however, like that of the Provincial Bank of Ireland, was fixed in London. One advantage resulted from connecting the heads of this party with an Irish joint-stock bank. There was an end to all *political* runs for gold. When a run afterwards took place, in consequence of the failure of the Agricultural Bank, Mr. O'Connell used all his influence to allay the excitement then occasioned. The branches of the National Bank are opened almost entirely in the south and west of Ireland. The bank has also an office in Dublin, where, since the Act of 1845, it has issued its own notes.

The Report of 1848 states that the National Bank of Ireland had taken the business of the London and Dublin Bank.

"During the latter part of the year, it having been intimated to the directors that the London and Dublin Bank were desirous of dissolving that company, negotiations were entered into with the directors, which terminated in this establishment succeeding to its connexions in the towns of Dundalk, Carrickmacross, Wicklow, Kells, Athy, Mullingar, and Parsonstown, with every prospect of advantage to the bank. The whole of these localities are, with the exception of Parsonstown, within the circle from which all banks of issue, except the Bank of Ireland, had been excluded, until the extinction of the monopoly by the Banking Act of 1845."

Several of the savings' banks in Ireland having failed, and occasioned losses to the depositors, through the dishonesty of the officers, and the inability of the trustees to make good the losses, the National Bank of Ireland determined, in the year 1849, to discharge some of the functions of a savings' bank. They receive deposits for 10*s.*, 1*l.*, 1*l.* 10*s.*, 2*l.*, 2*l.* 10*s.*, or for any multiple of 10*s.*, but not for any fractional part of 10*s.* When the sums thus received amount to 5*l.*, the party gets a regular deposit receipt for the amount.

In the meantime he receives interest at the same rate which is allowed on other deposit receipts, and can withdraw it at a short notice. The following is the form of receipt given to the savings' bank depositor :—

NATIONAL BANK.

*No.*_____

*Received from*_____

_____

*of*_____

TEN SHILLINGS.

_____*day of*_____, 18_____

_____

Manager.

We have already stated that this bank has commenced business in London as a London banker. It was at first supposed that this could not be legally done; but upon investigation it was found that the prohibition to carry on business in London, and within sixty-five miles thereof, as Banks of Deposit, applied only to those Joint-stock Banks that issued notes in England, and not to the Banks of Issue in Ireland or Scotland.

At a special general meeting of the National Bank of Ireland, held October 20, 1855, for the purpose of taking into consideration a modification of the name of the bank, the chairman stated, that the desire of the proprietors, as well as the increase of business in London, seemed to necessitate a change of name that would not so exclusively apply to Ireland. After some observations, a resolution was passed unanimously, "That on and after the 1st of January next, 1856, the present name of the society be changed to that of 'The National Bank.' "

The Hibernian Bank.

The Hibernian Joint-stock Bank was formed in the year 1824. The following account of the origin of this bank is given by John Robinson Pim, Esq., of Dublin:—

"A number of Roman Catholic gentlemen, finding they were continued to be excluded from the direction of the Bank of Ireland, met together, and obtained the signatures, not only of Roman Catholics, but of a number of others, amongst the rest myself, to the establishment of this bank; many merchants signed it, as considering that by having an opposition bank in such a city as Dublin, advantages would frequently be derived from it, and not altogether looking to the emolument which they should receive as subscribers to the bank, but looking at it as citizens generally; I myself never calculated on a very great deal of profit from it, except at a very remote period. Some of the individuals who undertook it came over to London, and they had expected to obtain the power of issuing notes, but they met with so much opposition from the Bank of Ireland,—there were some of the directors of the Bank of Ireland came over here in order to oppose it,—and the clauses which they intended to enable them to issue notes were expunged in the committee; but I state this only from hearsay."

Its nominal capital is 1,000,000*l.*, divided into 10,000 shares of 100*l.* each. 25*l.* per cent. has been paid upon each share, so that the money actually advanced amounts to 250,000*l.*

In the same year this company obtained an Act, entitled, "An Act to enable the Hibernian Joint-stock Company, for the purpose of purchasing and selling annuities, and all public and other securities, real and personal, in Ireland, and to advance money and make loans thereof, on the security of such real and personal security, at legal interest, and on the security of merchandise and manufactured goods, to sue and be sued in the name of the governor or secretary for the time being."*

The preamble states, that—

"Whereas the commerce, and manufactures, and agriculture of Ireland have long laboured under great disadvantage, arising from the want of due command of capital; and that merchants and manufacturers have no means of procuring temporary advances of money on a deposit

* Anno quinto Georgii IV. Regis, cap. 159.

of their goods, when a slackness of demand arises; and whereas several persons have agreed to form themselves into a company, or partnership, under the name of the 'Hibernian Joint-Stock Company,' and have subscribed or raised considerable sums of money in order to purchase and sell annuities and all public and other securities, real and personal, in Ireland; or to make loans and advances of money on the security thereof, and on the security of merchandise and manufactured goods, at legal interest, and to receive lodgments of money or deposits thereof; and great public benefit is expected to be derived to the trade, manufactures, and agriculture of Ireland, from the formation of such a company or partnership; and whereas difficulties may arise from time to time," &c.

It is enacted, that this company may sue and be sued in the name of their governor or secretary. A memorial of the names of the governor, secretary, and members, and of the transfer of shares, to be enrolled in Chancery; and no actions to be brought by the company, under the authority of this Act, until such memorial shall have been enrolled. Execution upon any judgment against the governor or secretary may be issued against any of the members, who are to be reimbursed their expenses by the company.

The Royal Bank of Ireland.

The Royal Bank of Ireland was formed in the year 1836, and before opening made arrangements for taking the business of the private bank of Sir James Shaw & Co. At that time the law did not permit joint-stock banks, in Dublin, to accept bills drawn at less than six months after date, or to sue and be sued in the name of their public officers. These restrictions were removed by the Act of 1845. The Royal Bank attempted also at that time to obtain the power of issuing notes, but was not successful. The manager of the bank from its commencement has been Mr. Charles Copland, who had previously been a manager in the Provincial Bank of Ireland.

The Banks of Belfast.

There are three joint-stock banks at Belfast. The Northern Banking Company was formed in 1825, on a private bank which was called the Northern Bank. This was the first

joint-stock bank in actual operation in Ireland. The Belfast Banking Company was formed on a private bank, which was called the Belfast Bank. The senior partner in this bank, John Holmes Houston, Esq., was examined as a witness before the Parliamentary Committee of 1826, on the abolition of small notes in Ireland. His evidence contains some interesting particulars respecting the state of banking in Belfast during the time he had been a partner in that bank. The Ulster Banking Company is a new bank, formed in 1837. All these banks have branches extending throughout the north of Ireland. The prudence with which banking institutions have at all times been managed at Belfast, has no doubt greatly contributed, with other causes, to the prosperity of the north of Ireland.

The following joint-stock banks have ceased to exist in Ireland :—

1. The Agricultural and Commercial Bank of Ireland, formed in the year 1834, stopped payment in the latter end of the year 1836. It was afterwards resumed for a short time, and then finally closed. A full account of the reckless proceedings of this bank is given in the third volume of the *Banker's Magazine.*

2. The London and Dublin Bank was formed in 1844, and merged in the National Bank of Ireland in the year 1848. This was not a bank of issue.

3. The Southern Bank of Ireland was formed at Cork after the failure of the Agricultural Bank of Ireland. It was registered the 25th of March, 1837, opened in Cork in the month of July, and stopped payment in the following September.

The Laws of the Currency in Ireland.

From what we have already said of the laws of the currency, those of our readers who are acquainted with Ireland will be able to judge beforehand of the revolutions of her circulation. Being purely an agricultural country, the lowest points will of course be in August or September, immediately before the harvest, and the commencement of the cattle and bacon

trade. Then it rises rapidly, till it reaches its highest point in January, and then gradually declines. As an agricultural country, we should naturally expect that during the season of increase the circulation would expand most in the rural districts; and so we find that the circulation of the Bank of Ireland, in Dublin, expands very moderately—that of her branches, which are located chiefly in large towns, expands more—while the circulation of the joint-stock banks, which are located in the agricultural districts, receives the largest increase. Again, the purchases and sales of agricultural produce are known to be in small amounts; and hence the notes of the smallest denomination receive the largest relative increase. The annual changes of the Irish circulation are governed chiefly by the produce of the harvest, and the prices of agricultural products. These are the laws of the circulation of Ireland.

On this subject I may quote my own evidence before the Committee on Banks of Issue:—

"I have told the committee that I was formerly manager of a joint-stock bank of issue in Ireland, and I have attempted to discover the laws which regulate the circulation of that country, by ascertaining the highest and lowest amount of the circulation in each year. This, which I have in my hand, is a table, showing the circulation of the Bank of Ireland (including branches), the separate circulation of the branches alone, and the circulation of the Irish joint-stock and private banks, on the last Saturday of April, August, and December of the years 1834 to 1839. It will be observed that those periods are the same as those which I have referred to in the circulation of the English country banks. The law of circulation appears to be different, but they agree pretty nearly in this, that the lowest point is the latter end of August; but the highest point in Ireland is generally the end of December or the beginning of January, and from December, or the beginning of January, it declines; so that the country circulation of England is advancing eight months and declining four; but the circulation of Ireland is advancing four months and declining eight.

"From whence is this table compiled?—From Appendix, Nos. 32 and 33. This table shows that the circulation of Dublin does not vary much; it shows that the circulation of the branches of the Bank of Ireland varies more; and that the circulation of the joint-stock and private banks in Ireland varies considerably more.

A TABLE, *showing the* CIRCULATION *of the* BANK *of* IRELAND (*including Branches*); *the Circulation of the Branches alone; and the Circulation of the Irish Joint-stock and Private Banks; on the last Saturday of April, August, and December, of the Years* 1834 *to* 1839.

	1834.	1835.	1836.	1837.	1838.	1839.
I.—BANK OF IRELAND AND BRANCHES.						
	£	£	£	£	£	£
April.....	3,922,300	3,798,500	3,614,100	3,332,300	3,398,400	3,536,400
August....	3,452,800	3,198,700	3,133,500	2,921,600	3,055,800	2,981,800
December..	3,926,800	3,574,200	3,481,100	3,265,700	3,474,500	3,192,200
II.—BRANCHES OF THE BANK OF IRELAND.						
April.....	No separate	account kept	at this time.	..	1,357,600	1,572,000
August....				1,056,200	1,257,600	1,211,900
December..				1,342,300	1,695,600	1,464,000
III.—JOINT-STOCK AND PRIVATE BANKS.						
April.....	1,386,165	1,517,648	2,083,431	1,798,724	2,366,774	2,588,377
August....	1,140,654	1,264,572	1,928,900	1,480,240	1,881,906	1,982,122
December..	1,666,269	1,959,542	1,787,586	2,204,286	2,972,034	2,629,205

"It will be observed, that in the year 1836, with regard to the joint-stock banks, there was a departure from the law, which usually increases the Irish circulation very rapidly between the months of August and December; for in 1836 the Agricultural and Commercial Bank of Ireland stopped payment; that brought on a run for gold upon the other banks, and thus the circulation of those banks became reduced. This is the only year in which there is not a very considerable increase in the circulation of the joint-stock banks of Ireland between August and December.

"To what do you attribute this uniform increase of the Irish circulation towards December?—I attribute it to the trade in corn, and bacon, and cattle, which commences in

the months of September and October in every year; the produce of the harvest commences to be brought to market in September; but the bacon is made in the beginning of October. The bacon must be made in cold weather, and therefore pigs are reared so as to be fit for killing by the 1st of October; and in the beginning of October the provision merchants send out their men to purchase pigs at the different markets, and they get notes from the bank. The cattle trade is conducted in the same way; men go to the market to buy pigs and cattle, and take them over to Bristol and Liverpool, but chiefly to Bristol, from the part where I was. Those notes are chiefly issued in three ways. During the summer, the merchants, having their capital unemployed, lodged it as deposits in the bank; then, when the season for trade commenced, they drew out their deposits, in the form of notes. Afterwards, they brought us bills upon their factors in London, and our notes were issued in discounting those bills which they had drawn against the exportations of bacon and cattle. The dealers took their pigs and cattle over to Bristol, and sold them in the various markets and fairs in the west of England, and received the notes which were circulating in that district, and took them to Mr. Stuckey, and got a letter of credit upon me, payable on demand, for the amount. So that our notes were issued, in the first place, by the withdrawal of deposits; secondly, for the discounting of bills on London, drawn against the exports which were made; and thirdly, for the payment of letters of credit which had been obtained by the parties who had sold Irish cattle in the English markets. The notes were, therefore, drawn out by the trade of the country, and of course it was not in our power to withhold issuing those notes, unless we wished to cramp the trade of the country."

Laws of the Currency in Ireland, since 1845.*

In the year 1845 an Act was passed for the regulation of bank notes in Ireland. The average amount of notes that

* This article is an abstract of a paper read before the Statistical Section of the British Association, at their meeting held at Belfast in the year 1852.

had been in circulation during the year ending May 1, 1845 (6,354,494*l.*), was made the fixed or authorized issue. For any amount beyond its authorized issue, each bank was required to hold an equal sum in gold or silver coin, the silver not to exceed one-fourth of the whole. The Act came into operation on the 6th Dec. 1845, and from that period each bank has made returns to the Government, stating the average amount of notes in circulation during the preceding four weeks, distinguishing the notes under 5*l.* from those of 5*l.* and upwards, and stating the amounts of gold and silver coin it held in its vaults. These returns are made by all the banks of circulation in Ireland. These are—the Bank of Ireland, the Provincial Bank of Ireland, the National Bank, and the three banks in Belfast, viz., the Northern Bank, the Belfast Banking Company, and the Ulster Banking Company.

We possess these returns for every four weeks from Jan. 1846 to the present time. By adding together all the returns made during each year, and then dividing by thirteen, we obtain of course the average amounts in circulation from 1846 to the year 1851, inclusive. I have also added the proportion per cent. these averages bear to the certified circulation of 6,354,494*l.* The following are the average amounts of circulation :—

	Average Circulation.	Proportion to Certified Circulation.
1846	£7,259,948	114·25
1847	6,008,833	94·55
1848	4,828,992	76
1849	4,310,283	67·83
1850	4,512,444	71
1851	4,462,909	70·25

It appears that, if the authorized issue be represented by the number 100, the actual circulation for the six years 1846 to 1851, inclusive, will be represented by the numbers 114, 94, 76, 67, 71, 70. The question naturally occurs to us—What is the cause of this great falling off in the annual circulation since the passing of the Act of 1845? In reply, we may observe that the annual productiveness of the harvest would affect the amount of notes in circulation. From the

description of the harvests given in the annual reports of the Provincial Bank of Ireland, we learn that the years 1846 and 1848 were disastrous in regard to the produce of the harvest; and we consequently find, as we should naturally expect, a falling off in the following years in the circulation of bank notes. We may also observe, that a bad harvest in one year may, by the distress it produces, cause a less production of commodities in several following years, and hence there may be a less demand for bank notes. In a bad harvest the farmer consumes his own produce instead of selling it, and thus requires not the use of notes. If his potatoes are destroyed, he will consume his grain. The distress of the farmer also diminishes the instruments of reproduction. If he has no potatoes he can rear no pigs. An abundant crop of potatoes, produces in the following year an abundant crop of pigs, but a famine of potatoes will be followed by a famine of pigs; and hence the distress of one year may have the effect upon the circulation of notes in several succeeding years. After the failure of the potato crop in 1846, the exportation of swine was reduced from 480,827 in 1846, to 106,407 in 1847. The potato crop again failed in 1848. The number of swine exported in 1848 was 110,787; in 1849 it was only 68,053.

We may also observe, that a reduction in the quantity of commodities produced may be caused by a reduction in the number of producers, and this would occasion a less demand for bank notes. It appears from the Census of 1841 and 1851, that, between these two periods, the population declined 1,659,330, or at the rate of 20 per cent.; and calculations have been made to show that the whole of this decrease had taken place since the year of the famine, 1846. Such a decrease, from whatever cause, must be attended with a decrease in the commodities produced and consumed by those individuals, and will consequently have occasioned a less demand for bank notes to pay for those commodities. If the lands previously occupied by this departed population remain uncultivated, there is a direct decrease in the agricultural produce. Such might be the effect where the

occupants died. Emigration might produce an additional effect. The emigrants, before their departure, would change all their bank notes into gold to take with them, and thus would occasion a further reduction of the circulation. This decrease of the population occurred chiefly among those who had but small holdings in land. Those small cultivators are compelled to bring their produce to market immediately after the harvest, and hence the circulation rises in September and October. From these small holdings, too, the produce is brought to market in small quantities—"each man brings his sack of oats, or two or three pigs, to market"—and hence the circulation, thus occasioned, must consist chiefly of small notes. We may further observe, that the amount of notes which circulate in a country will also be affected by the quantity of commodities exported, and the quantity imported. The season in which there is the greatest export of commodities is the season of the highest circulation. But importation withdraws the notes previously in circulation. The effect of diminished exports and increased imports is referred to in the Reports of the Provincial Bank of Ireland, every year from 1847 to 1851; and Mr. Murray states, in his evidence before the Committee on Commercial Distress, that not only was the amount of notes reduced, but also that of silver.

Thus we find that the reduction in the amount of notes in circulation in Ireland has been preceded or accompanied by a reduction in the amount of commodities produced, occasioned by a reduced productiveness in the land actually cultivated, a destruction in the instruments of reproduction by the distress thus occasioned, a reduction in the number of producers by deaths and emigration, and the exportation of an increased portion of its capital in exchange for food. But there is another circumstance that concurs in powerfully producing the same effect—that is, the prices at which the commodities brought to market are sold.

The failure of the crops in Ireland led the late Sir Robert Peel to introduce "An Act to amend the Laws relating to the Importation of Corn." It is 9 & 10 Vict. cap. 22, and

was passed June 26, 1846. A large reduction was made in the duty immediately; and it was enacted that, after the 1st day of February, 1849, the duty on wheat, barley, oats, &c., should be only 1*s.* per quarter. And in consequence of the increased distress in Ireland, another Act was passed, in January, 1847 (9 Vict. cap. 1), to suspend, until the first day of the following September, all duties on the importation of corn. In consequence of these Acts, large importations took place, and the prices gradually declined. I have no means of ascertaining the average prices of grain throughout Ireland, but I have obtained from a London corn-merchant the average prices of wheat, barley, and oats, for each year from 1841 to 1851, and taking in each case the prices of the year 1845 as represented by 100, I have calculated the variations per cent. in the subsequent years. On comparing the years 1845 and 1851, we find that the circulation has declined 35·78 per cent., the price of wheat has declined 24 per cent., of barley 21·85 per cent., and of oats 17·40 per cent. If we compare the year 1841 with 1851, the decline of the circulation will only be at the rate of 16·7 per cent., while the price of wheat shows a decline of 40 per cent., of barley 25 per cent., and of oats 17 per cent.

From the whole, we infer that the difference between the amount of bank notes circulating in a country at two distant periods cannot be regarded as any correct test of the condition of its inhabitants at those periods, unless we take into account all the circumstances by which that difference is attended—that the decline of the circulation of bank notes in Ireland, from the year 1845 to 1851, is no accurate measure of the distress that has existed in the country, or that may now exist, as other causes besides distress have concurred in producing that effect—that in comparing the circulation of 1845 and 1851 we are making a comparison unfavourable to the country, as the year 1845 was a year remarkable for the high amount of its circulation—and that we should indulge in no gloomy inferences as to the condition of the country, even if the circulation should never recover its former amount.

Having considered the changes that have taken place in the annual amount of notes that have circulated in Ireland since the passing of the Act of 1845, I shall consider the monthly changes in the amount of the circulation.

Let us take up the returns, and look at any year we please, and we shall find that all the months vary from each other. Beginning at January, the amount of the circulation usually declines—slowly at first, but more rapidly in May, June, and July, until, by the end of August, we arrive at the lowest point. Then, in September, it begins to ascend, and goes on increasing till January, and then again declines till August. Now, let us inquire what are the laws which regulate these monthly variations. I stated that the annual variations were caused by variations in the quantity and price of agricultural produce. But, as no notes could be put into circulation until this produce is brought to market, the monthly circulation must depend upon the quantity of produce brought to market within the month. Now, it has been the custom in Ireland to commence bringing the produce to market immediately after the harvest. Hence arises the increase of the notes in September, and their further increase in the following months. But in the beginning of the year the landlords collect their rents, and receive from their tenants the notes for which this produce has been sold; this brings the notes back to the bank, either to be placed to his credit (if he have an account there), or, otherwise, in exchange for a letter of credit on Dublin, or a bill on London. The circuit of a note, then, is this:—It is obtained from the bank by a corn-merchant, who pays it to a farmer for his corn, which he ships to England. The farmer afterwards pays the note for rent to his landlord, who brings it back to the bank. Every month the bank is issuing and retiring notes, but, from August to January, it issues more than it retires; and hence the amount of notes in circulation increases, and from January to August, it retires more notes than it issues, and hence the circulation falls.

We may notice another feature suggested to us by these Public Returns. We observe that a portion of the circulation consists of notes of 5*l.* and upwards, and another portion

of notes under 5*l.*; and it may be useful to inquire if these two classes of notes are subject to the same laws, and whether they rise and fall at the same time, and in exact proportion to each other. Viewing the monthly circulation, we observe that the small notes, like the large notes, are at their lowest amount about the month of August, and at their highest amount about January. But we observe, also, that from August the small notes increase more rapidly than the large ones, and after January they decline more rapidly: so that in every year the proportion of small notes in circulation is greater in January than in August. It may be observed, too, that the circulation of the Belfast banks includes a much larger proportion of small notes than is contained in the circulation of the other banks. To show this, it will be sufficient to analyse one of these returns. Upon the total circulation of all the banks, the proportion of small notes on the 7th of August, 1852, is 49·39 per cent.; upon that of the Bank of Ireland, 34·73 per cent.; the Provincial Bank, 58·82 per cent.; the National Banks, 59·93 per cent.; and the Belfast Banks, 86·55 per cent.

I have one feature more to notice in these returns—that is, the amount of gold and silver kept by the banks, in order to meet the payment of their notes. For several years past, the Act of 1845 has not required the Irish banks to keep any amount of gold or silver, for they have always been below the authorized circulation; but another Act, passed in the year 1828, through the influence of Mr. Spring Rice—now Lord Monteagle—requires that all notes should be payable in gold on demand at the place of issue. The gold and silver kept by the banks have only been to the amount that they deemed necessary or prudent for the purposes of business.

We observe from these returns that the annual average amount of gold and silver kept by all the banks has varied from 29 to 36 per cent. We observe, too, that in the years when the circulation has been low, the amount of gold and silver has been higher in proportion than in those years when the circulation has been high. Taking the average of years from 1847 to 1851, the *lowest* amount of gold, in proportion

to its circulation, has been kept by the Bank of Ireland. The proportion varies from 24 per cent. in 1851, to 30 per cent. in 1849. The highest proportion has been kept by the Provincial Bank. It has varied from 38 per cent. in 1851, to 52 per cent. in 1849. We may also state that, in the monthly variations, the lower the circulation the higher the proportionate amount of gold and silver. This arises, it may be presumed, from the circumstance that the banks do not vary the amount of their gold and silver with every variation of the circulation. The proportion of silver to gold kept by all the banks, has varied from 20 to 33 per cent., but the proportion varies very much with different banks.

The amount of gold necessary to be kept against any given amount of notes in circulation, is purely a question of management, and depends upon a variety of circumstances. The degree of public confidence the bank may have acquired, the excitable character of the population, the state of commercial credit, the facility of obtaining supplies, and the rapidity of communication with its branches, are all to be taken into calculation by a prudent banker. Gold can now be so readily obtained from England by means of steamboats, and distributed throughout Ireland by means of railways, that so large an amount may not be so necessary as formerly. The railways and the electric telegraph are useful to bankers, and present a striking instance of the utility of scientific discoveries to men of business.

Abolition of Small Notes.

The following is the report of the Select Committee of the House of Commons, made in 1826, respecting the abolition in Ireland of notes under 5*l.*:—

"With respect to the circulation of Ireland, the inquiries of your committee have been less extensive than those which they have instituted with respect to Scotland.

"The first law in Ireland which restrained the negotiation of promissory notes, was an Act passed in the Irish Parliament in the year 1799.

"The preamble recites that various notes, bills of exchange, and drafts for money, have been for some time past circulated in lieu of cash,

to the great prejudice of trade and public credit; and that many of such notes are made payable under certain terms, with which the poorer classes of manufacturers and others cannot comply, unless by submitting to great extortion and abuse. It adds, that the issue of such notes has very much tended to increase the pernicious crime of forgery; and the Act proceeds to apply to notes between the value of 5*l.* and 20*s.* similar restrictions to those which had been applied to such notes issued in England by the Act which passed in the year 1777. It permits, however, during the suspension of cash payments by the Bank of Ireland, the issue of bank-post bills, bills of exchange, and drafts under certain regulations, for any sums not less than three guineas. This Act did not extend to the Bank of Ireland.

"In 1805, this and some other Acts which had passed in the interim relating to the issue of small notes, were repealed; and notes under 20*s.*, which had been previously admitted under certain regulations by the Act of 1799, were declared void.

"There is at present no law in force imposing any limitation to the period for which notes for a sum not less than 20*s.* may be issued in Ireland.

"A tolerably correct estimate of the amount of promissory notes, above and below 5*l.*, circulating in Ireland, may be formed from the subjoined returns made by the Bank of Ireland, and by other banks at present established in that country.

"Bank of Ireland notes.—An account of the average amount of the Bank of Ireland notes of 5*l.* and upwards (including bank-post bills) for the years 1820, 1821, 1822, 1823, 1824, and 1825:—

	Irish currency.		
	£	*s.*	*d.*
"Notes and post bills of 5*l.* and upwards	3,646,660	19	6

"An account of the average amount of the Bank of Ireland notes under the value of 5*l.* (including bank-post bills) for the years 1820, 1821, 1822, 1823, 1824, and 1825:—

	Irish currency.		
	£	*s.*	*d.*
"Notes and post bills under the value of 5*l.* ...	1,643,828	0	5

"It appears from the evidence that a practice prevails in Ireland of issuing notes for the payment of sums between one and two pounds, for three guineas, and other fractional sums.

"Your Committee see no public advantage arising out of this practice; and they are of opinion that it ought to be discontinued, as it tends to dispense with the silver coin, and practically to exclude it from circulation.

"Your committee hesitate, in the present imperfect state of their information, to pronounce a decisive opinion upon the general measures

which it may be fitting to adopt with respect to the paper currency of Ireland.

"Although they are inclined to think that it would not be advisable to take any immediate step for the purpose of preventing the issue of small notes in Ireland, their impression undoubtedly is, that a metallic currency ought ultimately to be the basis of the circulation in that country.

"It will probably be deemed advisable to fix a definite, though not an early period, at which the circulation in Ireland of all notes below 5*l.* shall cease; and it is deserving of consideration, whether measures might not be adopted in the interim for the purpose of insuring such a final result by gradual, though cautious, advances towards it."

The following is a summary of the Evidence given before the Committees of the two Houses of Parliament, as to the effect of abolishing the small note circulation in Ireland:—

1. Small currency is necessary to carry on the commercial transactions of the country.

John Acheson Smyth, Esq., *Agent for the Belfast Bank at Londonderry.*

"In Lancashire, I believe all the raw materials are bought in large parcels, and by bills. In Ireland, the raw material is all bought in small parcels, and all in small notes. In Lancashire, there is only cash wanted to pay the workmen; but we want it both to pay the workmen and to buy the raw material. The provision and grain that we send to England are also bought in small notes, and we are reimbursed by drawing bills for our shipments."*

Pierce Mahony, Esq., *Solicitor to the Provincial Bank of Ireland.*

"If the banks were prevented issuing notes under the amount of 5*l.*, would any inconveniences arise in conducting the trade of the South of Ireland?—The trade of Ireland generally, and especially in the South of Ireland, would be greatly inconvenienced, and the growth of manufactures would be decidedly checked, if not destroyed, by such a measure. From the great subdivision of land in Ireland, and particularly in the South and West (where the population is almost exclusively agricultural), the produce is disposed of in small portions, scarcely ever representing 5*l.*, and almost universally under that amount. I am of opinion that the withdrawal of all notes under that amount would have the effect of curtailing the accommodation the banks now afford to the public to a ruinous extent; and that the trade of the country under such circumstances would not afford profitable employment for banking capital to any extent; and, therefore, I should anticipate the withdrawal

* Commons' Report, p. 77.

of such establishments, except, perhaps, at Cork and Belfast. In the South and West of Ireland, from the nature of the provision and corn trade, the chief demand for notes or for gold commences in October, and continues until March, when that trade is nearly over for the season. From March until October the butter trade is almost the only one in the South and West of Ireland; and as that trade would not employ all the capital that is required in the winter season, the effect would be, if sovereigns were substituted for small notes, that the extra supply required for the corn, beef, and pork trade, must remain idle in the banker's chest, or be remitted at great risk and expense for employment elsewhere during the summer and autumn.

"Do you think if a metallic circulation were adopted that there would be a difficulty in maintaining that metallic circulation?—I do; because the trade in the South and West of Ireland is periodical; the remittances from those districts of Ireland would force the gold away at certain periods, and it must be returned at others with considerable expense to meet the trade of the country."*

2. A gold currency would be more inconvenient than notes, and would not be so well liked by the people.

LEONARD DOBBIN, Esq.,† *Agent for the Northern Banking Company of Belfast, at Armagh.*

"Do the people of the North of Ireland manifest any wish for gold in preference to notes, or for notes in preference to gold?—They decidedly prefer notes, and the weavers have refused to carry gold out of the market lately.

"Can you assign any reason for this preference?—There are many reasons that I could assign. The bank notes are now the established currency; the people are perfectly acquainted with them. If a man should lose notes, or a house be robbed, or if there is a forgery, it would be much better for them to trace notes than it would gold. I have often assisted poor people in tracing notes that were robbed, and forged notes, whereas the gold could not be traced so readily. Another reason I would give is this, guineas became light, and were troublesome to the people. When standing beam there was 1*s.* charged, and when lighter than standing beam 2*s.* 6*d.*; and when gold was scarce, and bank notes not a legal tender, the land agents refusing to take anything but gold, the tenants were obliged to pay from 1*s.* to 4*s.* on a guinea discount. Some agents would only take gold."‡

* Commons' Report, pp. 250, 251.

† This gentleman was afterwards agent for the Bank of Ireland at Armagh, and M.P. for that place.

‡ Commons' Report, p. 243.

J. A. Smyth, Esq., *Linen Merchant, and Agent for the Belfast Bank at Londonderry.*

"I am in the habit of employing my linen buyers to go to the country markets, and I must supply them with the week's money before they start, perhaps five hundred or a thousand pounds; they have to go through the interior of the country, and do not return for a week. They make their purchases all in small quantities, and it is more convenient for them to carry notes than gold."*

Arthur Guinness, Esq., *Director of the Bank of Ireland.*

"I conceive that with the persons who handle the circulation of the country, there is a decided preference in favour of small notes over cash in every respect. I speak from mine own experience; for I remember perfectly well, before the restrictions upon cash payments, when gold was a great inconvenience in trade. I speak of those who handle the currency of the country, among whom I think the preference is in favour of the small notes, as more convenient, more portable, and less liable to counterfeit. I conceive these to form the general ground of preference."†

3. The profits of the banking establishments would be so much diminished, that they could not extend the same accommodation to the agricultural and commercial classes.

W. P. Lunnel, Esq., *Director of the Bank of Ireland.*

"If the notes under 5*l.* were prohibited, would the profits of the Bank of Ireland be materially affected by such prohibition?—I should expect that they would suffer: they must sacrifice a certain profit.

"Have you considered to what extent the profits of other bankers would be affected?—I should expect that the principal circulation of the country bankers is in small notes, and therefore in that proportion they would suffer."‡

John Holmes Houston, Esq., *Banker at Belfast.*

"If all the notes under 5*l.* were prohibited to be issued, would it be worth while, in your opinion, to keep the establishment of a bank at Belfast?—I do not think it would, except by carrying it on in the same manner as it formerly was—to keep a discount office, charging a commission on discounting bills, because 5*l.* notes would not circulate; then our circulation would be so trifling it would not answer."§

H. A. Douglas, Esq., *Director of the Provincial Bank of Ireland.*

"I consider the cash-account system, and the one-pound circulation so connected, that if the notes are withdrawn, it is understood that our

* Lords' Report, p. 7.
† Commons' Report, p. 237.
‡ Lords' Report, p. 108.
§ Lords' Report, p. 35.

establishment will not grant any further cash-credits.—The business which we carry on, even if we charged a higher rate of interest, or a commission, would not be of sufficient magnitude to repay us for the expense of our establishment, independent of our notes.—If the issue of small notes be withdrawn, then we cannot afford to allow interest on deposits."*

4. The abolition of small notes would prevent the investment of British capital in the present banking establishments.

T. S. Rice, Esq. M.P. (*now* Lord Monteagle), *Director of the Provincial Bank of Ireland.*

"Is it your opinion, that if all notes under 5*l.* were abolished, a considerable inconvenience would arise in the ordinary traffic in Ireland?—I conceive that it would. I conceive that the first effect of the extinction of all notes below 5*l.* would be a much more considerable diminution of the general mass of the circulating medium in Ireland than in England.

"I fear extremely that if anything were to occur which materially diminished the profits of our establishment, it would have the effect of depriving us of one of the chief benefits of the establishment, namely, the support and control of British capitalists, and conducting the bank by British merchants, and upon British commercial principles. I conceive a rate of profit, rather higher than the average rate of profits, is essential to induce persons so circumstanced to engage in such a business, more particularly when it is considered that there is no limitation of responsibility by the grant of charters."†

5. The gold currency would be sent out of the country, whenever it bore a premium in England.

Henry H. Hunt, Esq., *Local Director of the Provincial Bank of Ireland, at Waterford.*

"What do you think would be the consequence of a law which prohibited the issue of notes below 5*l.*, both by the Bank of Ireland and by any other banking establishment in Ireland?—I should think it would be very hazardous indeed: I should very much apprehend that the gold circulation would at times be *withdrawn* in a very great degree *from the country,* whenever gold was wanted in London; for instance, A SMALL PREMIUM UPON A SOVEREIGN WOULD INDUCE A VAST QUANTITY OF THEM TO BE BROUGHT OUT OF IRELAND.

"Have you ever known instances of quantities of gold being brought

* Lords' Report, pp. 24, 26, 27. † Lords' Report, pp. 47, 51.

over from Ireland to this country, and persons making a regular traffic of it?—I have."*

6. The proposed measure would cause general distress, and prevent the progress of enterprise.

John Robinson Pim, Esq., *General Merchant in Dublin.*

"The very idea of curtailing the currency under 5*l.* would have a tendency to discourage all adventure in Ireland at present. I should not, for one, be careful of placing money in any kind of machinery till the effect was tried. I fancy it would reduce property very much in that country,—and sometimes fancies are almost as bad as reality." †

Robert Murray, Esq., the chief officer of the Provincial Bank of Ireland, was examined as to the establishment of one Bank of Issue throughout Ireland; the following is his reply:—

"It would produce an entire revolution in the monetary affairs of Ireland. The committee will already have gathered from the questions I have previously answered, that the produce is brought to market in very small quantities, and by a very large number, I had almost said an innumerable class of farmers; each man brings his sack of oats and two or three pigs to market; it would be almost impossible, in such a state of things, to regulate by one bank of issue the monetary affairs of Ireland, or to adapt it to its purposes as it is now situated."

The Act of 1845.

It may be useful to trace the effects of this Act (the Act of 1845,—8 & 9 Vict. c. 37) upon the state of banking in Ireland, as compared with the effects of similar enactments in Scotland and England.

1. The limitation of issue in Ireland, as in Scotland, is not absolute. The banks may issue beyond this limit, if they retain an amount of gold and silver equal to this excess. In England the prohibition is absolute. The probable effect will be, that these enactments will not lead to any permanent decrease of the circulation in Ireland or Scotland. The banks will merely import more gold when the circulation increases. In England it seems probable that the circulation

* Commons' Report, pp. 73, 74. † Lords' Report, p. 19.

will permanently decrease. Means will be employed to conduct banking operations with fewer notes, and these means will operate at all times—when the circulation is low, as well as when it is high.

The provision of the Act of 1845, which requires the banks of Scotland and of Ireland to keep an amount of gold equal to the notes in circulation beyond the fixed limits, tends, as we have observed, to restrict the granting of cash credits in Scotland. We doubt if it will have an equal effect in Ireland, simply because the cash-credits exist to only a limited extent. The Provincial Bank introduced the system in 1825; and no system could be better adapted to the state of the country. It would doubtless have greatly improved the condition and the habits of the people; but the iniquitous runs for gold which, at the suggestion of reckless politicians, took place in 1828, 1830, 1831, and 1833, compelled the banks to restrict their operations. Had the banks remained without molestation, the whole of the agricultural districts of Ireland would probably by this time have had the benefits of this system, with the same beneficial results which have been realized in Scotland.

2. In Ireland these measures will not tend to produce so great an increase of gold as in Scotland. In Scotland the banks, previous to the passing of the Act, kept but a small amount of gold. But in Ireland the banks, from their liabilities to runs, have always kept large deposits of gold. The amounts required by the Act are not larger than those formerly kept in their vaults. It appears from the returns, that the Bank of Ireland has recently kept a smaller amount than before the passing of the Act. Hence their means of affording accommodation are not diminished; and as they sustain no loss, they have no reason for increasing their charges. It may, however, confirm the Irish banks in their regulation not to give interest on current accounts. Nowhere throughout Ireland is this system now followed. The Bank of Ireland gives no interest on any class of lodgments. The joint-stock banks allow it only on deposit receipts. The reason assigned by the Scotch banks was, that the operations

on these accounts maintained in circulation a large amount of their notes. This will be no advantage if the bank must retain an amount of gold equal to this increase of notes in circulation.

3. The prohibition of new banks of issue has operated variously in the three countries. In Ireland it was beneficial; in Scotland it has been harmless; and in England it is injurious. The Agricultural Bank of Ireland caused considerable mischief. To prevent the recurrence of such evils, the most effectual way was to prohibit the formation of new banks of issue. Hereafter this restriction may become oppressive. Cork, and Limerick, and Waterford may become sufficiently wealthy to supply a banking capital, and may wish to form local banks. The local banks at Belfast have conferred great benefits on the north of Ireland. In Scotland the banks are sufficiently numerous; and, as they are allowed to unite, the authorized issue of notes is never likely to be less than it is. And although restrictions on banks are unsound in principle, they may not at present do any harm in Scotland. In England the restriction is injurious. Had we an unlimited power of forming new banks, many of those firms that now consist of not more than six partners would be merged in larger establishments. The number of banks would be less—the amount of their issues would probably be less—but they would attract a higher degree of public confidence, and their character and continuance would not be dependent upon the lives of individual partners.

4. Unions of banks in either Ireland or Scotland are not very likely, nor perhaps desirable. The banks are large, have a respectable capital, and enjoy the public confidence. In England, many banks are small, and have small capitals. Union among them would be highly beneficial. Yet such is the waywardness of legislation, that the Acts of 1844 and 1845 give facilities to unions in Ireland and Scotland, and restrict them in England. In Ireland and Scotland two banks of issue may unite, and the united bank have the united circulation. In England, if two banks of issue, either of which has more than six partners, should unite,

the circulation of one or both of these banks would be lost.

5. The Act passed in 1844, for the regulation of joint-stock banks in England, was extended in 1846 to Scotland and Ireland, with the omission of the clause that rendered the banks subject to the laws of bankruptcy. By a clause in these Acts, any bank for the formation of which proceedings had been taken before the 6th May, and which was actually in business on the 4th of July, must at the end of a year after the passing of the Act either retire from business or take a charter. The Preston Banking Company was in this case, and accordingly became a chartered bank. Out of London this is the only bank that has a charter under the Act in England. The Exchange Bank of Scotland was in a similar case, and on the 31st of December, 1846, became a chartered bank. There is no bank of this kind in Ireland.

From the extracts we have made from the Act it will be seen that no new joint-stock bank can be formed of a less nominal capital than 100,000*l.*, and half the capital must be paid up before the commencement of business; that the assets and liabilities of the company must be published once at least in every month; and that at least one-fourth of the directors shall retire yearly, and shall not be eligible for re-election for at least twelve calendar months.

That provision of the Act which requires one-fourth of the directors to retire annually, and which declares them ineligible for election for one year, has been the subject of much discussion. The object of the Legislature appears to have been to prevent those evils which, in public companies of every kind, occasionally arise from the undue ascendency of individual directors. Practically, it may be injurious or advantageous to a bank, according to circumstances. On the one hand, it may deprive a bank of the services of its most useful directors for one year. And on their return, they may be less useful than heretofore, from being less acquainted with the transactions that have taken place during their absence. In small country banks it might not be easy to find other parties to take the places of the directors who had thus retired. On the

other hand, it has been contended that the number of the directors, and consequently their influence, would thus be virtually increased—that, while on some occasions the most clever directors would be compelled to retire, at other times the least clever would retire, and their places might be better supplied—that the retirement of even the most clever might call forth the energies of the others, and thus the talents of the whole might be improved—that the plan tends to prevent the undue ascendency of any individual director, or of any knots or parties of directors, for any length of time—and that it is a convenient means of getting rid of an inefficient, injurious, or disagreeable director: for, as when he is once out, it would be easy for the board, if so disposed, to prevent his re-election. By the charter of the Bank of Ireland, fifteen directors are chosen annually, and not above two-thirds of the directors of the preceding year can be re-elected.

6. There is another difference between Scotland and Ireland with reference to banking operations, though it does not arise from the above-mentioned Act. At the time of the union between England and Ireland, Ireland had her debts as well as England. And although England became liable for these debts, the dividends continued to be paid, and the transfers made in Dublin. Hence Government stock is bought and sold there in the same way as in London. Besides this, any party may purchase stock in Ireland, and have it transferred to England, or the reverse. The plan is this:—Any person holding stock may go to the Bank of England, either personally or by power of attorney, and get a ticket that will authorize him to have the same amount of stock put in to his name in Ireland. The stock in England is then transferred to the Commissioners for the Reduction of the National Debt. He may go to the Bank of Ireland in Dublin and reverse the operation. Several Acts of Parliament have been passed with reference to this subject. The last is the 5th Geo. IV. c. 53, passed in the year 1824. When there is a great difference in the price of stocks in the two countries, operations of this kind may be very profitable.

This power of transferring Government stock from one

country to the other has a tendency to equalise the price in both countries. It also serves the purpose of a medium of exchange. A transmission of stock has the same effect in rectifying the exchanges as a transmission of gold. And doubtless the exchanges between England and foreign countries might, to a great degree, be adjusted in the same manner.

There is a Stock Exchange in Dublin similar to that of London, established for the purchase and sale of Government stock, bank stock, railway shares, &c. No person can transact business there unless he has obtained a licence from the Lord Lieutenant. The number of these persons is at present about twenty-five. There are no time-bargains as in London. The borrowing and lending of money on stock are matters of daily occurrence. This is not always done through brokers. Individuals often effect these transactions directly with the banks. The general rule is, that the lender shall have a margin of 5 per cent. on the value of the stock, and shall be entitled to call for additional security whenever the market price falls below that difference.

We have noticed the different meanings given to the word "circulation" in England, since the passing of the Act of 1844. By the Act of 1845, it is enacted that this word shall have the following meaning in Scotland and Ireland:—

"Section 17.—And be it enacted, That all bank notes shall be deemed to be in circulation from the time the same shall have been issued from any banker, or any servant or agent of such banker, until the same shall have been actually returned to such banker, or some servant or agent of such banker."*

The Exchanges between the Banks.

Since the Act of 1845—when other banks besides the Bank of Ireland acquired the power of issuing notes in Dublin—a system of clearing, or, as it is called, of exchanges, has been

* It may be stated here that the circulation of the Issue Department of the Bank of England is always 14,000,000*l.* more than the amounts of gold and silver held in that department. The amount of the circulation in the hands of the public is found by deducting the amount of bank notes in the Banking Department from the amount of circulation of the Issue Departments.

established, similar to that established in Edinburgh. The following is a copy of a clearing balance-sheet:—

BALANCES OF EXCHANGES WITH OTHER BANKS, ON _____, 18 .

DUE TO IT.			WITH	DUE BY IT.		
			Bank of Ireland.			
			Provincial Bank.			
			National Bank.			
			Ulster Bank.			

Here we may observe that all the banks that clear are banks of issue; and the clearing in Dublin includes all the banks of issue in Ireland, although three of these banks have their head-quarters in Belfast. The Belfast banks clear by their agents. The Bank of Ireland is the agent for the Northern Bank and the Belfast Bank, and the Royal Bank of Ireland is the Dublin agent for the Bank of Ulster. It will also be observed that the Bank of Ireland—the chartered bank—is a member of the clearing; and, in fact, the clearing is held daily, at two o'clock, in one of the rooms of that establishment. The differences are paid daily, like those at Edinburgh, in exchequer bills. The following are the amounts required to be held by each bank:—

	£.
The Bank of Ireland	192,000
The Provincial Bank	100,000
The National Bank	80,000
The Ulster Bank	30,000
	£402,000

Those banks in Dublin that are not banks of issue are not members of the clearing. Although the Royal Bank of Ireland attends the clearing as the agent of the Ulster Bank, it does not clear on its own account. All the non-issuing banks, however, have accounts with the Bank of Ireland, and pay into that establishment the cheques they may have on

the other banks. The National Bank, though an issuing bank, and a member of the clearing, has no account with the Bank of Ireland.

This system of clearing appears to work very satisfactorily. The following is an extract from a letter I received from an Irish banker on the subject:—

"The settlement of our 'exchange balances' in Dublin, through the use of exchequer bills, works very well. The great evil *previously*, was, that when these balances were of magnitude, Dublin was such a limited money market, there was difficulty and expense in raising the needful quantity of Irish money for the purpose. If you anticipated the balance to be heavy against you, it was requisite to prepare some time *before*, and to have your funds lying idle and unproductive until the crisis arose. *Now*, we have exchequer bill interest for our surplus, and the power of replenishing our stock account whenever required by drawing on *London*, thus possessing the unbounded advantages of the greatest money market in the world. In point of fact, the arrangement has virtually changed the venue, and made *London* the actual and final place of settlement, through machinery worked in Dublin."

The following are the "Regulations for making exchanges between the several banks in Ireland, at Dublin, and for settling the balances of such exchanges, at Dublin; to take effect from and after the 8th day of December, 1845.

"1. The exchange shall be made daily at two o'clock, P.M.

"2. The payments of the balances shall be made in exchequer bills, except for the fractional parts of 500*l.*, which may be paid in the notes of the particular bank debtor.

"3. The exchequer bills shall be filled up in favour of the bank who may be the original holders, and shall bear the distinguishing mark of 'Dublin Exchange Bills,' showing that they belong to the Dublin exchanges, and are not intended to be used for any other purpose, and shall be received *at par*, with the interest that may be due when the transfer takes place.

"4. The amount of exchequer bills to be kept in the circle is fixed at 402,000*l.*, to be apportioned amongst the following banks in fixed sums, calculated in their respective amounts of circulation:—

NAMES OF BANKS.

Bank of Ireland.	Ulster Bank.
Provincial Bank.	National Bank.

The sums being once fixed, each bank is to maintain its quota at all times, as hereinafter provided.

"5. Nine-tenths of the exchequer bills to be of 1,000*l.*, and one-tenth of 500*l.*

"6. The amount of exchequer bills held by each bank shall be stated every day in the Clearing-room.

"7. It is expedient that no banks hall be obliged permanently to hold more exchequer bills than a surplus of one-third above the fixed amount, nor shall be allowed to reduce the amount held more than one-third below the fixed amount; but as the exchequer bills will accumulate with some of the banks, and be required by others, it shall be imperative on the parties so situated to sell or buy exchequer bills; that is to say, the bank holding the greatest amount of exchequer bills shall be bound to sell to the bank in want of them, what may be required for the legitimate purposes of the exchanges; but it shall not be imperative on that party to sell a greater amount than what will reduce their stock to the original quota, and the purchaser shall be bound to take bills from those parties having the greatest proportionate amount of them beyond their respective original quota.

"8. The preceding regulations will tend in a great degree to equalise the amount of exchequer bills; but if exchequer bills shall nevertheless accumulate in the hands of a bank, so as to exceed their original quota by more than one-third, that party shall have the power to call upon the party or parties holding the smallest amount in proportion to their quota to purchase the excess—that is to say, the excess above their quota—plus one-third; but it shall not be imperative on any party to take more than is required to bring up their stock to two-thirds of the original amount.

"In this way the fluctuation in the amount of exchequer bills amongst the different banks, which is an essential part of this arrangement, need never permanently exceed one-third more or one-third less than the original quota of each bank.

"The terms of purchase to be governed by the next regulation.

"9. The bank seeking to buy, or being called upon to buy, exchequer bills, from the bank or banks holding in excess of their quota, shall pay for the purchase by a Letter of Credit on their London correspondent, demandable on the fifth day after the date thereof, the purchaser paying 1*s.* 3*d.* per cent. on the amount of the Letter of Credit; or to pay the amount in gold in Dublin, at the option of the holders of the bills.

"10. The exchequer bills to be used for the Dublin exchanges are to be as nearly as possible divided into the two dates of March bills and June bills, which are to be exchanged at the Paymaster-General's Office here before due, and new ones to be provided, so as to keep up the stock in the circle; and no exchequer bills advertised to be paid are to be used in the exchanges.

"11. Each bank is to be always liable to the income-tax on the interest of its original quota of exchequer bills, and no more; and the exchequer

bills advertised to be renewed are, within a week after the Government notice appears in the *Gazette*, to be given up to the original holders, upon receiving other bills not advertised, failing which, a Letter of Credit on London, demandable on the fifth day from its date, subject to the charge as stated in No. 9, is to be given, or the amount to be paid in gold, at the option of the holders of advertised bills.

"12. The exchanges are to be made at the Bank of Ireland, who undertake to pay those banks who are creditors in the exchange the exchequer bills or bills of exchange received from those banks who are debtors in the exchange; but the Bank of Ireland shall not be in any way responsible for the exchange transactions, or otherwise soever.

"13. The statement of the balances after they are struck to be sent to their respective banks from the Clearing-room, by their clerks; and the clerks of bank creditors to be in waiting to receive the amount due to them at two o'clock.

"14. Any bank a party to this agreement to have the power of withdrawing from it, and receiving back their exchequer bills at par, upon payment of them if needful, upon giving three months' notice.

"15. No bank a party to this arrangement shall, after the 8th of December, 1845, directly or through any agent, demand gold from or pay gold to any other bank or banks parties to this arrangement, except as hereinbefore provided, unless under special agreement between any two of the banks they mutually arrange to pay and receive a sum of gold.

"It is assumed that each bank always has its statutory amount of gold; and if any bank be either in excess or deficiency in that amount, the export or import of gold must be borne by the bank seeking to diminish or increase its stock.

"Any violation of this regulation after the 8th of December, 1845, to be considered a virtual withdrawal of the bank who departs from this rule.

"N.B. The foregoing arrangements are to be subject to such alterations and amendments as may be required and agreed on by the several banks parties thereto, after the plan shall be in operation, and its working effect ascertained."

SECTION VIII.

THE MORAL AND RELIGIOUS DUTIES OF BANKING COMPANIES.[1]

"I implore the blessing of Divine Providence on our united efforts to encourage the industry and increase the comforts of my people, and to inculcate those Religious and Moral Principles which are the surest foundation of our security and happiness."

SPEECH FROM THE THRONE, AUG. 9, 1845.

"Property has its Duties as well as its Rights."

THE LATE MR. DRUMMOND.

THIS is the age of public companies. The principle of association is one of the most powerful agents of modern times. Whatever object we wish to accomplish—whether political or commercial, literary or religious—the first step is to form a society. Those joint-stock associations that involve the outlay of capital with a view to profit, are called public companies; and these form the subject of our present inquiries.

Public companies now occupy a distinguished place in our social economy. We receive our education in schools and colleges founded by public companies. We commence active life by opening an account with a banking company. We insure our lives and our property with an insurance company. We avail ourselves of docks, and harbours, and bridges, and canals, constructed by public companies. One company paves our streets, another supplies us with water, and a third enlightens us with gas. At home, numerous luxuries are brought within our reach by different companies. And if we wish to travel, there are railway companies, and steam-boat companies, and navigation companies, ready to whirl us to every part of the

[1] This section was printed separately in the beginning of the year 1846, under the title of "The Moral and Religious Duties of Public Companies." It was designed only "for private distribution among such of the writer's friends as were in a position to influence the conduct of public companies." The favourable opinions of it expressed by some of those friends have induced me to publish it as a portion of the present work.

earth. And when, after all this turmoil, we arrive at our journey's end, cemetery companies wait to receive our remains, and take charge of our bones.

The question that now claims our attention is, whether these powerful companies ought to be regarded as moral agents?—that is, whether they are capable of virtuous and vicious actions, and, like individuals, are responsible to a Superior Power, who will reward or punish them according to their works.

In examining this question, we shall propose the following inquiries:—

First.—Ought public companies, like individuals, to be regarded as moral agents, and therefore bound to perform moral and religious duties?

Second.—What are those moral and religious duties which, as moral agents, public companies are bound to perform?

Third.—What are those rewards or punishments which may be expected to follow the performance or non-performance of those duties?

First.—We inquire, Ought public companies, like individuals, to be regarded as moral agents, and therefore bound to perform moral and religious duties?

We assume, at the commencement of our inquiries, that mankind, *as individuals*, are moral agents, having had laws laid down for their government by a Superior Being, to whom they are responsible for their actions. They who deny this proposition (if such there be) are not the persons for whose perusal these pages are designed; and therefore we will not ask them to accompany us any further in our inquiries.

Assuming that mankind are responsible, as individuals, we propose to inquire whether public bodies, *as such*, are subject to the same responsibility. And here we would suggest the following considerations:—

1. Public companies are recognised as moral agents by the laws of the country in which they are established.

Public companies have, by law, the same rights as individuals; their property is protected by the same laws as that

of individuals. Theft or fraud towards them is attended with the same punishment. They can sue and be sued in the same courts of justice. The military and naval forces protect them from external violence. They have the same commercial privileges, and can buy and sell and get gain. The improvements in the arts and sciences benefit them as well as individuals; and whatever new laws are passed by the Legislature confers upon them the same benefits as upon individual citizens. Having the same rights, they have necessarily the same duties as individuals. Equality of privilege implies equality of moral obligation. Property has its duties as well as its rights; and if the property which to-day is in the hands of an individual is transferred to-morrow into the possession of a thousand individuals, would it not carry with it the same amount of moral obligation? Would not the possession of the property demand from the company the same duties towards their servants, their fellow-citizens, their country, and their God, which it previously demanded from the individual? and would they not be equally bound to the exercise of justice, kindness, benevolence, and patriotism? The success of public companies is often at the expense of individuals. Ought they not, then, to be called upon to perform the social duties of the classes they have annihilated? On these principles the legislatures of all countries have imposed on public companies the same duties as on individuals; and in case of violations of its laws, have rendered them subject to the same penalties. They have thus been recognised as moral agents.

2. Public companies are capable of sustaining many social relations which are the foundation of moral duties.

The social relations of public companies are various. They may be buyers or sellers—debtors or creditors—they may employ others, or be employed themselves—they may be receivers or bestowers of favour—they may be friends or enemies, neighbours or strangers—they may be wealthy or indigent—in prosperity or adversity—they may be influential or otherwise—they may be plaintiffs or defendants in a court of law, or be the accusing or the accused party in a criminal court. Every relationship implies a corresponding duty;

and we contend that public companies, in any of these relative positions, are bound to perform the same duties which the same relations would impose upon individuals.

If it were necessary to quote Scripture, to show that relation implies corresponding duties, we might multiply quotations—a few will suffice:—

"Have we not all one Father? Hath not *one God created us?* Why do we deal treacherously every man against his brother?[1]—*A son* honoureth his father, and a servant his master: if then I be a father, where is mine honour? and if I be a master, where is my fear?[2]—It is not for *kings* to drink wine, nor for *princes* strong drink.[3]—It was not an *enemy* that reproached me; then I could have borne it: but it was thou, a man mine equal, my guide, and my acquaintance.[4]—Thou shalt neither vex a *stranger*, nor oppress him: for ye were strangers in the land of Egypt.[5]—Am I a Jew? Thine own *nation* have delivered thee unto me.[6]—Ye call me *Master* and *Lord:* and ye say well; for so I am. If I then, your Lord and Master, have washed your feet; ye also ought to wash one another's feet.[7]—There was a certain creditor which had two *debtors:* the one owed five hundred pence, and the other fifty. And when they had nothing to pay, he frankly forgave them both. Tell me, therefore, which of them will love him most?[8]—Shouldest not thou also have had compassion on thy *fellow-servant*, even as I had pity on thee?[9]—Which now of these three, thinkest thou, was *neighbour* to him that fell among thieves? And he said, He that showed mercy on him.[10] —Love as *brethren*.[11]—Sittest thou to *judge* me after the law, and commandest me to be smitten contrary to the law?[12]—What hast thou that thou didst not receive? now if *thou didst receive it*, why dost thou glory, as if thou hadst not received it?[13]—If any man see thee *which hast knowledge* sit at meat in an idol's temple, shall not the conscience of him which is weak be emboldened to eat those things which are offered to idols; and through thy knowledge shall the weak brother perish?[14]—Art thou a *Master of Israel*, and knowest not these things?[15]—Thou that teachest another, teachest not thou thyself?[16]—If thou, being a Jew, livest after the manner of the Gentiles, and not as do the Jews, why compellest thou the Gentiles to live as do the Jews?"[17]

All these quotations refer to certain relations, and intimate certain duties. They serve to prove the general principle,

[1] Mal. ii. 10.
[2] Mal. i. 6.
[3] Prov. xxxi. 4.
[4] Ps. lv. 12, 13.
[5] Exod. xxii. 21.
[6] John xviii. 35.
[7] John xiii. 13, 14.
[8] Luke vii. 41, 42.
[9] Matt. xviii. 33.
[10] Luke x. 36.
[11] 1 Pet. iii. 8.
[12] Acts xxiii. 3.
[13] 1 Cor. iv. 7.
[14] 1 Cor. viii. 10, 11.
[15] John iii. 10.
[16] Rom. ii. 21.
[17] Gal. ii. 14.

that every relation implies a corresponding duty; and hence we infer, that so far as public companies are capable of sustaining the same relations, they are bound to the performance of the same duties.

3. Public companies sustain those relations to the Deity which imply an obligation to the performance of moral and religious duties.

We have considered public companies in their relation to the community in which they are established—in relations they may sustain to individual members of that or any other community; we shall now consider them in their relation to the Deity. This forms the chief ground of moral and religious duty. Their relation to the Deity is a relation of dependence. It will not be denied, that for every talent necessary to conduct their operations, and for all the success which may attend their exertions, public bodies are as dependent as individuals upon the kindness of Providence. Every good and every perfect gift cometh down from the Father of Light.[1] Their relation to the Deity is also a relation of obligation. They have received favours—as recipients of favours it is their duty to be grateful, and this duty is the more obligatory in proportion to the greatness and condescension of their Benefactor. Their relation to the Deity is also a relation of responsibility. They possess wealth—influence—power. Providence never bestows these talents, without holding the parties on whom they are bestowed responsible for their proper use. Those who duly improve the talents with which Providence has entrusted them, will have those talents increased, and be rewarded by the Divine approbation. Those who neglect to use these talents, are held responsible for their neglect, and will be punished for their inactivity.[2] We have no reason to suppose that public companies are excluded from the general rules of the Divine administration. As far, then, as they are endowed with the same talents as individuals, so far must they be considered as subject to the same responsibilities. From these considerations we infer, that public companies, like individuals, are moral agents.

[1] James i. 17. [2] Luke xix. 13—26.

4. Public companies are analogous to other collective bodies who are acknowledged to be moral agents.

It will not be denied that a *nation* may declare an *unjust* war—may carry it on in a *cruel* manner—may treat a conquered nation with *oppression*, or may conduct a treaty of peace with *duplicity* and *fraud*. Nor will it be denied, that a nation may become immoral by the extinction of moral feeling in its rulers, and throughout the population.

If, then, nations are capable of performing virtuous or vicious actions, then are they moral agents; to be rewarded or punished according to their actions. The doctrine of national responsibility is thus stated by Moses:—

"If ye will walk in my statutes, and keep my commandments, and do them; then I will give you rain in due season, and the land shall yield her increase, and the trees of the field shall yield their fruits, and your threshing shall reach unto the vintage, and the vintage shall reach unto the sowing time: and ye shall eat your bread to the full, and dwell in your land safely. And I will give peace in the land, and ye shall lie down, and none shall make you afraid; and I will rid evil beasts out of the land, neither shall the sword go through your land. And ye shall chase your enemies, and they shall fall before you by the sword. And I will set my tabernacle among you, and will be your God, and ye shall be my people.[1]—But if ye will not hearken unto me, and will not do all these commandments, I also will do this unto you; I will appoint over you terror, consumption, and the burning ague, that shall consume the eyes, and cause sorrow of heart: and ye shall sow your seed in vain, for your enemies shall eat it; and I will set my face against you, and ye shall be slain before your enemies; they that hate you shall reign over you, and ye shall flee when none pursueth you. And if ye will not yet for all this hearken unto me, then I will punish you seven times more for your sins."[2]

The Jewish history presents the most remarkable instance on record of a nation being rewarded for their righteousness and punished for their disobedience. The nations they conquered were subjected to the same discipline, and it is expressly stated that those nations were punished for their sins. And those who have studied the philosophy of history will have observed, that nations have risen and fallen in political

[1] Lev. xxvi. 3—12.

[2] Lev. xxvi. 14—18; Deut. xxviii. 1—15; Neh. ix.; Jer. v. 23—29; vii. 5—7; xviii. 7—10; xxii. 2—9; Ezek. xxii.; Matt. xxiii. 34—38.

greatness as they have risen and fallen in their observance of the principles of morality and religion.

On this subject we might quote the language of historians, of moralists, of philosophers, and of theologians; but we prefer citing the language of a monarch, especially as that monarch is our own. Surrounded by her nobles, her senators, her councillors, her judges, her generals, and her admirals —Queen Victoria has declared from the throne, "RELIGIOUS AND MORAL PRINCIPLES ARE THE SUREST FOUNDATION OF OUR SECURITY AND HAPPINESS."

As, then, large bodies of men, like nations, are rewarded or punished in their collective capacity, for their virtuous or vicious actions, it would seem to follow, that smaller bodies of men, like public companies, may be subjected to the same moral discipline.

A public company, like a nation, is composed of a number of individuals who have a government for the regulation of their affairs, and whose acts are considered as the acts of the whole body. It is true that a public company is composed of a smaller number of persons than a nation, but that cannot affect the moral character of its actions. It is also true, that while a nation must always act through its government, a public company may, and often does, at the general meeting of its shareholders, act independently of its government; but neither can this alter its moral agency, for whether the form of government be aristocratical or democratical, the duties of a nation, or of a public company, remain the same.[1]

In opposition to this doctrine, it may be contended that, to render public bodies of men responsible in their collective capacity, would be destructive of personal or individual responsibility. But this is not the case. A nation may be punished for its national crimes, and yet the individual who may have caused these crimes, may sustain an individual punishment. Thus Jeroboam, Ahab, and other kings of

[1] In this discussion we consider public companies as corporations, and inquire what duties they, as corporations, owe to other parties. The several duties of directors, officers, and shareholders do not lie within the range of our inquiries.

Israel, were individually punished, while, at the same time, the nation was also punished in its collective capacity. So a public company may be punished or rewarded for its actions, while, at the same time, any individual who caused these actions, may also be personally rewarded or punished. It may too be objected, that if a public company is to be punished, as such, for its acts, then all the partners would share in the punishment, though many of them may have been quite innocent of the crime. To this we answer, that the same objection would apply to the doctrine of national responsibility.[1] It is not possible, in the case of a large body of men, for every individual to take part in its actions. The act of the authorized government, or of the majority of the members, must be regarded as the act of the whole community, and every individual must share in the prosperity or adversity resulting from such acts.

It may further be observed, that it is not inconsistent with the principles of the Divine government for persons to suffer for the wickedness, or to be rewarded for the righteousness, of those with whom they are socially connected: "I the Lord thy God am a jealous God, visiting the iniquity of the fathers upon the children unto the third and fourth generation of them that hate me; and showing mercy unto thousands of them that love me, and keep my commandments."[2]

In our own day, we witness numerous instances of children possessing wealth, mental cultivation, and influence in society through the virtues of their parents. And also, not a few cases of children being reduced to poverty and degradation through the vices of their parents. Children suffer through

[1] The logical reader need not be reminded, that in arguments from analogy it is a sufficient answer to an objection to show that the objection applies with equal force to the doctrine from which the analogy is drawn. Thus, in the text, the moral responsibility of nations is assumed as admitted by all parties, and, therefore, requiring no further proof. From the resemblance or analogy between the two cases we infer the moral responsibility of public companies. It is, therefore, a sufficient answer to any objection against the latter doctrine, to show that it will equally apply to the former. Indeed, the more numerous the objections, if they will apply equally in both cases, the more the argument is strengthened, as they are confirmatory of the soundness of the analogy.

[2] Exod. xx. 5, 6.

the conduct of their parents, and parents through the conduct of their children; masters by their servants, and servants by their masters. In fact, it is not possible for any individual, however obscure, to be either virtuous or vicious, without in some way promoting the happiness or misery of some person besides himself. It is, therefore, no valid objection to the doctrine of the moral responsibility of public companies, that it renders all the partners answerable for the conduct of the majority. In fact, human governments act upon this principle. If any company were to incur penalties to the state, those penalties would be enforced against the whole property of the company, though many individual partners might be quite unconscious of the offence by which those penalties were incurred.

We might further confirm our doctrine, by tracing the analogy between public companies and families.

"Pour out Thy fury upon the *families* that call not on Thy name.[1]—In that day I will perform against Eli all things I have spoken concerning *his house;* for I have told him that I will judge his house for ever, for the iniquity which he knoweth; because his sons made themselves vile and he restrained them not. And therefore I have sworn unto the house of Eli, that the iniquity of Eli's house shall not be purged with sacrifice nor offering for ever.[2]—And the ark of the Lord continued in *the house* of Obed-edom the Gittite three months; and the Lord blessed Obed-edom, and all his household; and it was told King David, saying, The Lord hath blessed the house of Obed-edom and all that pertaineth unto him, because of the ark of God.[3]—And Jeremiah said unto the house of the Rechabites, Thus saith the Lord of Hosts, the God of Israel; Because ye have obeyed the commandment of Jonadab your father, and kept all his precepts, and done according to all that he hath commanded you: therefore thus saith the Lord of Hosts, the God of Israel; Jonadab, the son of Rechab, shall not want a man to stand before me for ever."[4]

We might adduce other declarations respecting the families of David, Jeroboam, Ahab, and others. It may be objected, that in these cases, the families were rewarded or punished for the acts of the head of the family, and not for their own. If so, this confirms, not refutes, the doctrine of collective

[1] Jer. x. 25. [2] 1 Sam. iii. 12—14. [3] 2 Sam. vi. 11, 12.
[4] Jer. xxxv. 18, 19.

responsibility. It appears, however, that sometimes the families concurred in the actions of their head. When this was not the case the exception is mentioned,[1] and in others it is expressly stated, that the reward or punishment of thefamily would in some degree depend upon their own conduct.[2]

The doctrine of collective responsibility in the present world might be still further confirmed by references to the punishments inflicted on particular cities. We will refer only to Nineveh and Jerusalem. In the former case an act of general humiliation obtained a remission, or at least a postponement, of the punishment due to their wickedness; and in the latter, their sin in rejecting the Gospel was visited with a signal punishment.

"The word of the Lord came unto Jonah, saying, Arise, go to Nineveh, that great city, and cry against it; for their wickedness is come up before me. . . . . And he cried and said, Yet forty days, and Nineveh shall be overthrown. So the people of Nineveh believed God, and proclaimed a fast, and put on sackcloth, from the greatest of them even to the least of them. For word came unto the king of Nineveh, and he arose from his throne, and he laid his robe from him, and covered him with sackcloth, and sat in ashes. And he caused it to be proclaimed and published through Nineveh by the decree of the king and his nobles, saying, Let neither man nor beast, herd nor flock, taste anything: let them not feed, nor drink water; but let man and beast be covered with sackcloth, and cry mightily unto God; yea, let them turn every one from his evil way, and from the violence that is in their hands. Who can tell if God will turn and repent, and turn away from his fierce anger, that we perish not? And God saw their works, that they turned from their evil way; and God repented of the evil, that he had said that he would do unto them; and he did it not."[3]

"And when he was come near, he beheld the city and wept over it, saying, If thou hadst known, even thou, at least in this thy day, the things which belong unto thy peace! but now they are hid from thine eyes. For the days shall come upon thee, that thine enemies shall cut a trench about thee, and compass thee round, and keep thee in on every side, and shall lay thee even with the ground, and thy children within thee; and they shall not leave in thee one stone upon another; because thou knewest not the time of thy visitation."[4]

[1] 1 Kings xiv. 13. [2] Ps. lxxxix. 30—33. [3] Jonah i. ii. iii. 4—10.
[4] Luke xix. 41—44; Matt. xxiii. 37, 38.

Before quitting this branch of our inquiry, we may notice one practical application of the doctrine of collective responsibility. It is, that every individual member of a public body, whether a nation, a family, or a company, should induce that body to walk in the path of uprightness. For should they not do so, he will have to bear a portion of the collective punishment, though he may not personally have taken any active part in the crime.[1]

SECONDLY.—Having shown that public companies are moral agents, and consequently bound to the performance of certain duties, we shall now inquire what are those duties which, as moral agents, public companies are bound to perform?

We shall not attempt to enumerate all these duties, but merely make a selection of the most important, and these we shall classify as, I. The duties of patriotism. II. The duties of social relationship. III. The duties of religion. IV. The duties of benevolence.

I. The duties of patriotism.

By the duties of patriotism, we mean those duties which a public company owes to the state. Patriotism is the love of one's country, or more properly the love of one's nation. Public spirit is a willingness to sacrifice a portion of one's time, property, or comfort, to promote the happiness of one's fellow-citizens. These are duties obligatory on every citizen,[2] and consequently binding on every collective body of citizens. We repudiate the doctrine that a public company has only to attend to the interest of its proprietors, regardless of the effect its measures may have on the public weal. This would be a violation of duty on the part of an individual, and still more so on the part of a public company. For they have received from the Legislature special privileges to enable them to carry on their operations. These privileges have been granted with a view to the promotion of the public interest. If, then, these privileges are employed to the injury of the public, then is there not merely a violation of the duty of citizenship, but a farther violation of duty by the misapplication of privileges

[1] Matt. xxiv. 19. [2] Ps. cxxxvii.; Neh. i. 4; ii. 3; Rom. ix. 3.

conferred by the Legislature. "Unto whomsoever much is given, of him shall much be required; and to whom men have committed much, of him they will ask the more."[1] In proportion as the Legislature has conferred privileges, in such proportion it may be expected that they who have received these privileges, will be active in promoting the public interest. The possession of privileges implies an increased obligation to perform certain duties.

The first of these duties is to obey the laws: a public company should abstain from smuggling and all other illicit proceedings—should make correct returns to Government, and pay its fair proportion of the property-tax, and of all other duties. "Render unto Cæsar the things which are Cæsar's. Render to all their dues; tribute, to whom tribute is due; custom, to whom custom; fear, to whom fear; honour, to whom honour."[2] Another duty is to enforce the laws upon others. Individuals sometimes abstain from prosecuting frauds upon themselves, from a misapplied feeling of compassion, an unwillingness to incur odium, or the fear of expense; but none of these feelings are sufficient to justify a public company in abstaining from this duty. Such a course is injurious to the public, by holding out inducements to the commission of similar crimes. "Because sentence against an evil work is not executed speedily, therefore the heart of the sons of men is fully set in them to do evil."[3] It is also the duty of public companies to support the cause of order and of due submission to constituted authorities—the rights of property—the supremacy of the law—the impartial administration of public justice—and to honour the constitutional government of the country, by whatever party it may be administered. "Put them in mind to be subject to principalities and powers, to obey magistrates, to be ready to every good work, to speak evil of no man, to be no brawlers, but gentle, showing all meekness unto all men."[4] Another duty is to conduct the affairs of the company on such a liberal, yet prudent scale of expense, as shall afford encouragement to the industry, trade, and fine arts of the country. Solomon says, "Prepare thy

[1] Luke xii. 48. [2] Rom. xiii. 7. [3] Eccles. viii. 11. [4] Tit. iii. 1, 2.

work without, and make it fit for thyself in the field, and afterwards build thy house."[1] Which means, if we understand it rightly, "Get your money before you spend it, but having got it, live in a scale of expense corresponding to your means—afterwards build thy house." Individuals may be justified in living much within their means, in order to provide for old age, or for the proper settlement of their children; but public companies cannot have such motives for conducting their establishments with an unsuitable economy. But, above all, it is the duty of a public company to maintain, in all its transactions, a high-toned morality. "Righteousness exalteth a nation."[2] A departure from moral rectitude is altogether inexcusable in a public company. As all their actions are presumed to be the result of previous deliberation, they cannot plead in excuse, as individuals do, the power of passion, the impulse of the moment, or the force of habit. In proportion to the weakness, or the absence of temptation, in such proportion would their conduct be the more criminal;[3] while their wealth and influence would render their example more extensively injurious to the public morality. If parties of high station in society depart from the strict rule of duty, those of inferior station will deviate still more widely. "If a ruler hearken to lies, all his servants are wicked."[4]

II. The duties of social relationship.

The social duties of public companies are the same as those of individuals who maintain the same relations. These duties are clearly stated in the Holy Scriptures. The Bible is a code of laws—not a book of adjudged cases. It lays down the principles of human actions, but leaves the application of these principles to the dictates of reason and of conscience. We might read through the Bible, and not find a chapter headed "The duties of public companies." In this case we endeavour to ascertain, in the first place, what are the duties of individuals. Then we take the principles of these duties and apply them to the acts of public companies. The principles of moral duty undergo no change; but the circum-

[1] Prov xxiv. 27. [2] Prov. xiv. 34. [3] Prov. vi. 30. [4] Prov. xxix. 12.

stances of human society are perpetually changing, and hence the correct application of these principles is sometimes a matter of difficulty. We shall here, in the first place, state, in the language of Scripture, the principles of some of our social relationships, and then make a practical application of them. There are doubtless other principles we have not mentioned, and those we have mentioned may be applied, and are applied, in practice, to many other cases besides those specified.

1. These are the things that ye shall do: "SPEAK YE EVERY MAN THE TRUTH to his neighbour, execute the judgment of peace and TRUTH in your gates, and let none of you imagine evil in your hearts against his neighbour, and *love no false oath;* for all these are things that I hate, saith the Lord."[1]

Insert no erroneous statements in your prospectus; make no incorrect calculations in order to deceive a parliamentary committee; circulate no unfounded rumours for the purpose of affecting the market value of your shares; and let your annual reports contain nothing but the truth. "Thou shalt not raise a false report; put not thy hand with the wicked, to be an unrighteous witness."[2] "The getting of treasures by a lying tongue is a vanity tossed to and fro of them that seek death."[3]

2. "YE SHALL NOT STEAL, neither DEAL FALSELY, neither lie one to another."[4]

Be honest and upright in all your dealings, let your charges be fair and just, and be sincere and straightforward in all your pecuniary transactions.

"Thou shalt not have in thy bag divers weights, a great and a small. Thou shalt not have in thine house divers measures, a great and a small. But thou shalt have a perfect and just weight, a perfect and just measure shalt thou have: that thy days may be lengthened in the land which the Lord thy God giveth thee.[5]—What man is he that desireth life, and loveth many days, that he may see good? Keep thy tongue from evil, and thy lips from speaking guile. Depart from evil, and do good; seek peace, and pursue it."[6]

[1] Zech. viii. 16, 17. [2] Exod. xxiii. 1. [3] Prov. xxi. 6. [4] Lev. xix. 11.
[5] Deut. xxv. 13—15. [6] Ps. xxxiv. 12—14; 1 Pet. iii. 10, 11.

All promises or engagements must be faithfully kept, even when the performance is injurious to the interests of the company. "That which is gone out of thy lips, thou shalt keep and perform."[1] "He sweareth to his own hurt and changeth not."[2] The Israelites were punished with three years of famine, because one of their kings attempted to violate a treaty into which they had been drawn by false representations."[3]

3. "If iniquity be in thy hand, *put it far away* and *let not wickedness dwell in thy tabernacles.*"[4]

If any of the servants of a public company are found wanting in integrity, they should immediately be dismissed, and on no account be reinstated. And if any of their professional agents act dishonestly, even to benefit the company, they should not be employed again. "He that walketh in a perfect way, he shall serve me. He that worketh deceit shall not dwell within my house; he that telleth lies shall not tarry in my sight."[5]

Banking companies should not take the accounts of disreputable parties; and a fraudulent bankrupt should not be allowed to re-open his account, even should he plead that, although he had cheated all his other creditors, he had not cheated his banker. "Shouldest thou help the ungodly, and love them that hate the Lord, therefore is wrath upon thee from before the Lord."[6] "Depart from me, ye evil doers, for I will keep the commandments of my God."[7] In making advances, banking companies should consider the moral character of the party with whom they deal, as an element of their security; and should more readily afford accommodation to parties having such a character than to those who are without it. "The wicked borroweth and payeth not again."[8]

Public companies should do nothing that would be considered dishonourable or disreputable in an individual member of the company. The moral character of an action cannot be changed by the number of persons who may commit it.

[1] Deut. xxiii. 23.
[2] Ps. xv. 4.
[3] Josh. iv. 25; 2 Sam. xxi. 1.
[4] Job. xi. 14.
[5] Ps. ci. 6, 7.
[6] 2 Chron. xix. 2.
[7] Ps. cxix. 115.
[8] Ps. xxxvii. 21.

"Though hand join in hand, the wicked shall not go unpunished."[1] "Fire shall consume the tabernacles of bribery."[2] "Abstain from every appearance of evil."[3] Public companies should not listen to plans and schemes proposed for their adoption by parties known to be deficient in moral principle; nor should they hire agents to do what they would not do themselves.

"Evil communications corrupt good manners.[4]—Lord, who shall abide in thy tabernacle? who shall dwell in thy holy hill? He that walketh uprightly, and worketh righteousness, and speaketh the truth in his heart. He that backbiteth not with his tongue, nor doeth evil to his neighbour, nor taketh up a reproach against his neighbour. In whose eyes a vile person is contemned; but who honoureth them that fear the Lord."[5]

4. "SPEAK NOT EVIL ONE OF ANOTHER."[6]

Public companies should not speak unjustly or unkindly of each other. "Love as brethren."[7] But this does not prohibit their speaking the TRUTH of each other on proper occasions, even when the truth may be unpleasant or injurious to the party about whom it is spoken. It may sometimes become the duty of a respectable and honourable company to expose the fraudulent and deceitful practices of other companies: we are not forbidden to bear witness—but only *false* witness—against our neighbour. "By mercy and *truth* iniquity is purged."[8]

5. "Fear thou the Lord and the King, and *meddle not with them that are given to change.*"[9]

A public company should not meddle with politics: nor let the influence of the company be employed to produce any political change. It should not too frequently change the principles and maxims of its own government. Fixed rules and regulations are to a public company what habits are to an individual: they insure a uniformity of conduct, and are equally essential to success. A steady adherence to fixed principles is the surest road to prosperity. A restless discon-

[1] Prov. xi. 21.
[2] Job. xv. 34.
[3] 1 Thess. v. 22.
[4] 1 Cor. xv. 33.
[5] Ps. xv. 1—4.
[6] James iv. 11.
[7] 1 Pet. iii. 8.
[8] Prov. xvi. 6.
[9] Prov. xxiv. 21.

tent with moderate profits, and an attempt to get suddenly rich, by reckless speculation, has been the ruin of many companies as well as individuals.[1] Nor should they change too often the terms on which they transact business with the public, as that occasions much inconvenience. Nor change too frequently the rate of their dividend, as that may lead to gambling in their shares. Better pay always the same rate of dividend, and let the surplus profit of one year be placed to a reserved fund to supply the deficiencies of future years. "A double-minded man is unstable in all his ways."[2] "Unstable as water, thou shalt not excel."[3] "Trust in the Lord with all thine heart, and lean not unto thine own understanding. Be not wise in thine own eyes. Fear the Lord, and depart from evil."[4]

6 "Thou shalt NOT AVENGE, nor bear any grudge against the children of thy people, but thou shalt *love thy neighbour as thyself*."[5]

In cases of dispute or litigation, do not let your judgment be blinded by self-interest; but judge impartially, and do unto others as, in a similar case, you would wish to be done unto yourself. Use no means of hostility, or annoyance, or rivalry towards other companies which you would condemn as unjust or unfair were they used against yourself. Recommend to others no schemes, or speculations, or investments, in which you would not be willing to take any share yourself. Give no false testimonials of character, so as to induce others to employ parties whom you would not employ yourself. If you have received favours from other companies, or from individuals, do not let your thankfulness evaporate in mere votes of thanks, or acclamations of applause, but render to others the same tokens of gratitude which, under the same circumstances, you would expect to receive yourself. "All things whatsoever ye would that men should do unto you, do ye even so to them, for this is the law and the prophets."[6]

7. "*If thine enemy be hungry, give him bread to eat;* and

[1] Prov. xxviii. 20—22.
[2] James i. 8.
[3] Gen. xlix. 4.
[4] Prov. iii. 5—7.
[5] Lev. xix. 18.
[6] Matt. vii. 12.

if he be thirsty, give him water to drink; for thou shalt heap coals of fire upon his head, and the Lord will reward thee."[1]

If there be a run on a banking company, the rival banking companies should render assistance, and not suffer a solvent bank to stop payment for want of temporary support. All hostile companies should render assistance to each other on the occurrence of calamities, to which all are liable. "Rejoice not when thine enemy falleth, and let not thine heart be glad when he stumbleth, lest the Lord see it, and it displease him, and he turn away his wrath from him."[2] It is quite right to contend against our enemies, and to rejoice when we are successful. I will extol thee, O Lord, for thou hast lifted me up, and hast not made my foes to rejoice over me."[3] But it is not right to rejoice when the wrath of Providence permits them to fall into calamity, or to stumble into acts of vice or folly. A railway company should not rejoice when accidents occur on a rival line; nor a banking company when a rival bank has made a large amount of bad debts; nor an assurance society when extensive fires or numerous deaths have absorbed the funds of a rival society; nor a mining association when accidents have damaged the mines belonging to a rival association. "He that is glad at calamities shall not be unpunished."[4] If your enemies treat you in a different manner, you should not imitate their example, but forgive them. "Recompense to no man evil for evil."[5] "Let all bitterness, and wrath, and anger, and clamour, and evil speaking, be put away from you, with all malice; and be ye kind one to another, tender-hearted, forgiving one another, even as God for Christ's sake hath forgiven you."[6]

8. "If any man will *sue thee at the law*, and take away thy coat, *let him have thy cloak also.*"[7]

(1.) If he have an equal claim to the coat and the cloak, and the law decides that he is justly entitled to the coat, give him the cloak also, though he do not claim it. Do what is

[1] Prov. xxv. 21, 22.
[2] Prov. xxiv. 17, 18.
[3] Ps. xxx. 1.
[4] Prov. xvii. 5.
[5] Rom. xii. 17.
[6] Eph. iv. 31, 32.
[7] Matt. v. 40.

just, though the law may not require it, and never have recourse to a legal quibble in order to baffle a just demand. "The thoughts of the righteous are right, but the counsels of the wicked are deceit."[1] (2.) Do not go to law without mature deliberation. "Go not forth hastily to strive, lest thou know not what to do in the end thereof, when thy neighbour hath put thee to shame."[2] (3.) Nor yet about matters of trifling importance which are no practical injury. "Strive not with a man without cause, if he have done thee no harm."[3] (4.) Nor yet from vindictive motives. "Say not thou, I will recompense evil, but wait on the Lord, and he shall save thee."[4] (5.) Never go to law about matters in which you have no direct interest. "He that passeth by, and meddleth with strife belonging not to him, is like one that taketh a dog by the ears."[5] (6.) Do not go to law with a man merely because he is poor, and therefore unable to contend against your large capital; nor trespass on any man's rights because he cannot afford the expense of obtaining legal redress. "Rob not the poor because he is poor, neither oppress the afflicted in the gate, for the Lord will plead their cause, and spoil the soul of those that spoiled them."[6] (7.) It will be wise and honourable to bring the suit to a close as soon as you can. "It is an honour for a man to cease from strife, but every fool will be meddling."[7] (8.) If you reject a just and honourable compromise, you may lose the action, and you will then not only have to pay the expense of the suit, but you will have put yourself in a disreputable position. "Agree with thine adversary quickly, while thou art in the way with him, lest at any time the adversary deliver thee to the judge, and the judge deliver thee to the officer, and thou be cast into prison. Thou shalt by no means come out thence till thou hast paid the uttermost farthing."[8] (9.) Do not indulge a fondness for litigation. "He loveth transgression that loveth strife, and he that exalteth his gate seeketh destruction."[9] (10.) If you have to sue any party

[1] Prov. xii. 5.
[2] Prov. xxv. 8.
[3] Prov. iii. 30.
[4] Prov. xx. 22.
[5] Prov. xxvi. 17.
[6] Prov. xxii. 22, 23.
[7] Prov. xx. 3.
[8] Matt. vi. 25, 26.
[9] Prov. xvii. 19.

criminally, enforce the law with kindness and forbearance. "Execute true judgment, and shew mercy and compassion every one to his brother."[1] It is quite possible to execute judgment and show mercy at the same time. (11.) If called upon to arbitrate between contending parties, act justly and impartially. "Thou shalt not respect the person of the poor, nor honour the person of the mighty; but in righteousness shalt thou judge thy neighbour."[2] "Thou shalt not wrest judgment: thou shalt not respect persons: neither take a gift; for a gift doth blind the eyes of the wise, and pervert the words of the righteous."[3] (12.) Public companies should employ none but honourable men to plead any cause in which they may be engaged. Advocates who are noted for legal quibbling, attacking private character, or browbeating witnesses, should not be engaged; and, more especially, the *standing counsel* of a public company should be a man of high moral and religious principles.

"What hast thou to do to declare my statutes? Thou givest thy mouth to evil, and thy tongue frameth deceit.[4]—They speak vanity every one with his neighbour: with flattering lips and with a double heart do they speak. The Lord shall cut off all flattering lips, and the tongue that speaketh proud things: who have said, With our tongue will we prevail; our lips are our own: who is Lord over us?[5]—There is that speaketh like the piercings of a sword, but the tongue of the wise is health. The lip of truth shall be established for ever: but a lying tongue is but for a moment. Deceit is in the heart of them that imagine evil: but to the counsellors of peace is joy."[6]

9. "Be ye *all of one mind,* having compassion one of another; *love as brethren;* be *pitiful,* be *courteous.*"[7]

Be of one mind.—Public companies should entertain a good feeling towards each other, and endeavour to promote each other's interest. On proper occasions, they ought to unite their influence for the protection of their mutual rights.

Be courteous.—All the servants of the company who come into communication with the public should be instructed to behave with the utmost courtesy; and if they do so, they are

[1] Zech. vii. 9.
[2] Lev. xix. 15.
[3] Deut. xvi. 19.
[4] Ps. i. 16—19.
[5] Ps. xii. 2—4.
[6] Prov. xii. 18—20.
[7] 1 Pet. iii. 8.

entitled to courtesy in return. No shareholder should address a servant of the company as if he were his own individual servant; nor should he, in his transactions with the company, expect any undue attention or preference on account of his being a shareholder. When a company has occasion, in its annual report or public documents, to refer to the proceedings of other companies, it should always be done in the language of courtesy.

Be pitiful (*full of pity*).—In some cases, life policies become forfeited through the inability of the parties to pay the premiums, and sometimes by the party meeting his death in a way that deprives his relations of all claim on the company. In cases like these, insurance companies should take all the circumstances into consideration, and *be pitiful.* When an honest tradesman fails, and his creditors agree to take a composition, the banking company should not refuse to accept the terms proposed, but should *be pitiful.* When the servant of a company has inadvertently committed an error, not involving any moral delinquency, let him not be too hastily dismissed, and thus placed for life in a lower condition, but *be pitiful.* When servants of the company, from sickness or old age, have become less effective than formerly, let arrangements be made for rendering their duties proportionate to their diminished strength. Recollect, they were once young and healthy, and you had then the benefit of their services—do not treat them harshly now. *Be pitiful.*

10. "*Use hospitality one to another*, without grudging."[1]

It is proper that public companies, on particular occasions, such, for example, as the opening of a new line by a railway company, should entertain their friends and others connected with the company. Also, that the companies should use hospitality "one towards another." Social intercourse tends to promote friendly feelings; and a friendly feeling between the principal officers and members of different companies tends to promote a friendly feeling between the companies themselves. It is also a good practice to give an annual dinner to all the servants of the company. The words "without

[1] 1 Pet. iv. 9.

grudging" may suggest, that when the company can afford it, these entertainments should be given in a rather handsome style, without a too strict regard to economy. On these festive occasions, the humbler servants and others connected with the company should not be forgotten. "When thou makest a feast, call the poor, the maimed, the lame, the blind. And thou shalt be blessed, for they cannot recompense thee, for thou shalt be recompensed at the resurrection of the just."[1]

11. "Thou shalt *not oppress a stranger*, for ye know the heart of a stranger, *seeing* ye were strangers in the land of Egypt."[2]

The principle of this suggestion is, that we ought to have compassion for all those who are in the same difficulties in which we formerly were ourselves. Those whom Providence has raised to a higher station than they or their fathers occupied, should entertain kindly feelings towards those who belong to the class from whence they have sprung. The same rule applies to public companies. Those which have overcome the difficulties of their formation, and become prosperous, should not employ any vexatious or oppressive means of preventing the growth of similar companies. Knowing the anxieties they experienced from the difficulties they had to encounter, they should not inflict similar anxieties upon others. Moses often enforces the duty of kindness towards servants and strangers, by reminding the Israelites that they had been strangers and bondsmen in the land of Egypt. In questions of morals, it is generally a safe guide to a correct judgment, to put ourselves in the position of others, and to inquire what would then be our own feelings, and what kind of conduct we should wish, under such circumstances to be adopted towards ourselves? In the decision of such cases, it usually appears, that the cultivation of the moral feelings has improved the intellectual faculties. A sound heart is less likely to go astray than a clever head. "The entrance of thy words giveth light: it giveth understanding unto the simple."[3]

[1] Luke xiv. 13, 14. [2] Exod. xxiii. 9. [3] Ps. cxix. 130.

12. "Masters, *give unto your servants that which is just and equal,* knowing that ye also have a Master in heaven."[1]

Be just in your appointments, and select those who are the most worthy and the best qualified for the duties they will have to discharge. *Be just in the amount of your remuneration;* recollect that many of the servants of public companies have greater trusts and heavier responsibilities than the servants of individuals; and in this case, it is just and equal that they be rewarded accordingly. *Be just in your promotions,* and let not merit be supplanted by patronage or favouritism. *Be just in the quantity of labour you exact.* Appoint a sufficient number of servants to do the work easily. Do not compel them to keep late hours; nor refuse reasonable holidays, for the purposes of health and recreation. *Be just in your reproofs.* "Forbear threatening."[2] Let not your censures or your punishments be more than proportionate to the offence; and be as ready at all times to acknowledge the merits of your servants as to notice their defects. *Be just in your pensions,*—let your aged and worn-out servants be treated with respect and liberality. Recollect they were once young and healthy, and you had then the benefit of their services—do not treat them harshly now. All complaints, and all applications for increased remuneration or privileges, from the servants of public companies should receive mature consideration; and all refusals should be given with kindness and courtesy. Job, when reduced to distress, consoled himself with the reflection, that in his former prosperity, when he was the greatest of all the men of the East,[3] he had not despised the cause of his man servant or his maid servant when they contended with him. Moses enacted, "Thou shalt not muzzle the ox when he treadeth out the corn;"[4] and St. Paul has twice quoted this enactment,[5] to inculcate the lesson that we ought not to stint the remuneration, nor even the enjoyments of those by whose labour we profit. There is something touching in the following text:—"A certain centu-

[1] Col. iv. 1. [2] Eph. vi. 9. [3] Job xxxi. 13.
[4] Deut. xxv. 4. [5] 1 Cor. ix. 9; 1 Tim. v. 18.

rion's servant, *who was dear unto him,* was sick, and ready to die;"[1] and the Psalmist has given us a lovely exhibition of the Divine character in the words, "He hath pleasure in the prosperity of his servant."[2]

13. "Exhort *servants to be obedient unto their own masters,* and to please them well in all things, not answering again, not purloining, but *shewing all good fidelity,* that they may adorn the doctrine of God our Saviour in all things."[3]

Public companies have a right to expect that their servants should not only be obedient during the official hours of business, but that at all times their conduct should be such as will be reputable to the company,—attempting to "please them well in all things,"—"not answering again"—not objecting to obey any lawful commands—"not purloining, but shewing all good fidelity,"—not misapplying the property with which they are entrusted, not suffering the company to be defrauded or damaged by other parties. "That they may adorn the doctrine of God our Saviour in all things:" the servants of a public company are exposed to observation and criticism, and its honourable reputation in the world will be affected by the estimate that may be formed of their moral and religious character. Christian principle is of more importance than brilliant talents, and is more highly respected, even by the ungodly. The personal character of its servants is sometimes of greater value to a company than their personal services, and can less easily be replaced. They adorn the *doctrine* of Christianity when, from Christian motives, they *practise* those virtues which are suitable to their several stations. It gives us a pleasing idea of social life among the Hebrews, when we find, that not only did the children address the Supreme Being as the God of their fathers, but the servants addressed him as the God of their masters. "O Lord God of my master Abraham," said Eliezer of Damascus, "I pray thee send me good speed this day, and shew kindness unto my master Abraham."[4] It is one of the duties of the servants of public companies to pray for the prosperity of the company whom they serve.

[1] Luke vii. 2. [2] Ps. xxxv. 27. [3] Titus ii. 9, 10. [4] Gen. xxiv. 12.

14. "Pure religion and undefiled before God and the Father is this, *to visit the fatherless and widows in their affliction*, and to keep himself unspotted from the world."[1]

Establish a fund for the relief of the widows and children of the servants of the company. Such a fund is established by the Bank of England, in the army and elsewhere, and why not by all large companies? Mining and railway companies should relieve the widows and children of those who meet with accidents in their respective works. The word VISIT implies, that this relief should be generous and kind; and the words, IN *their affliction*, may suggest that it ought to be prompt and immediate, not postponed till *after* their affliction.

15. "As we have opportunity, *let us do good unto all men*, especially unto them who are of the household of faith."[2]

Let all your arrangements be adapted to promote the public good, and more especially to benefit the moral and religious portion of the community. "He that diligently seeketh good procureth favour; but he that seeketh mischief, it shall come unto him."[3]

III. Having considered the duties of patriotism, and the duties of social relationship, we now come to the duties of religion.

By the duties of religion we mean the duties we owe directly to God. Those which are most applicable to public companies are, to acknowledge the hand of God—to promote his worship—and to reverence his Sabbaths.

To acknowledge the power and goodness of God, and our dependence on Him for all the blessings we possess, is not less the duty of a public company than it is of an individual. Moses cautions the Israelites against forgetfulness of God in the time of their prosperity:—

"Beware that thou forget not the Lord thy God, in not keeping his commandments, and his judgments, and his statutes, which I command thee this day: lest when thou hast eaten and art full, and hast built goodly houses and dwelt therein; and when thy herds and thy flocks

[1] James i. 27. [2] Gal. v. 10. [3] Prov. xi. 27.

multiply, and thy silver and thy gold is multiplied, and all that thou hast is multiplied; then thine heart be lifted up, and thou say in thine heart, My power and the might of mine hand hath gotten me this wealth. But thou shalt remember the Lord thy God: for it is He who giveth thee power to get wealth."[1]

A neglect to acknowledge the hand of God is denounced as a heinous offence. The chief national crime charged against ancient Tyre by the prophet Ezekiel was, "By thy great wisdom and thy traffic thou hast increased thy riches, and thy heart is lifted up because of thy riches."[2] "If ye will not hear, and if ye will not lay it to heart, to give glory unto my name, saith the Lord of Hosts, I will even send a curse upon you, and I will curse your blessings."[3] They who honour inferior agents, but forget the Cause of all their prosperity, are compared to the heathen fishermen, who "sacrifice unto their net, and burn incense unto their drag; because by them their portion is fat, and their meat plenteous."[4]

In ancient Rome the merchant and bankers had a public procession every year to the temple of Mercury—who, by a strange association, was regarded as the god of merchants and of bankers, of thieves and of eloquence—to offer sacrifices for the blessings they had received; and, as the satirists said, to ask forgiveness for all the frauds and tricks they had practised in their trade during the past year.

In the Middle Ages, the public companies then formed took mottoes, many of which were expressive of religious feelings. Thus if we cast our eyes on our Royal Exchange, we shall see that the City motto is, "Domine, dirige Nos," and that of the Mercers' Company is "Honor Deo." This would not be consistent with the manners of the present age, though we believe our public companies are as much disposed to implore Divine direction, and to render to God the honour of their success, as were any of the associations of former days. The way to obtain this direction, and to have occasion for rendering this honour, is to acknowledge the superintendence and kindness of God. "In all thy ways ac-

[1] Deut. viii. 11—18. [2] Ezek. xxviii. 5. [3] Mal. ii. 2. [4] Hab. i. 16.

knowledge him, and he shall direct thy paths."[1] "Call upon me in the day of trouble: I will deliver thee, and *thou shalt glorify me.*"[2]

We are not friendly to the introduction of religious matters, either by individuals or public bodies, into secular intercourse. We have no wish that our business meetings should commence with prayer, and conclude with the doxology. But surely there must be some way in which a public company may, consistently with our national character, and the manners of the age, express its reliance on Divine Providence, and its gratitude for the favours which Providence has conferred. Is there no way in which a public company may virtually utter the sentiments so beautifully expressed by David:—

"David blessed the Lord before all the congregation: and said, Blessed be thou, Lord God of Israel our father, for ever and ever. Thine, O Lord, is the greatness, and the power, and the glory, and the victory, and the majesty: for all that is in the heaven and in the earth is thine; thine is the kingdom, O Lord, and thou art exalted as head above all. Both riches and honour come of thee, and thou reignest over all; and in thine hand is power and might; and in thine hand it is to make great, and to give strength unto all. Now therefore, our God, we thank thee, and praise thy glorious name. But who am I, and what is my people, that we should be able to offer so willingly after this sort? for all things come of thee, and of thine own have we given thee?"[3]

Another religious duty is, to support the public worship of God. Human legislation can enforce a small portion only of the moral and religious duties of mankind, and can never interfere until vice has grown into crime.[4] Religion extends her sway, not only over all the actions of man, but over the motives and springs of action.[5] Religious and moral

[1] Prov. iii. 6. [2] Ps. i. 15. [3] 1 Chron. xxix. 10—14.

[4] Some writers on moral philosophy have divided the social rights of man into perfect and imperfect. The perfect rights can be enforced by human laws. The enactments referring to these rights are generally expressed in a negative form: "Thou shalt *not* kill;" "Thou shalt *not* steal." The imperfect rights cannot be enforced perfectly by human laws. These enactments are generally positive: "Honour thy father and thy mother;" "Thou shalt love thy neighbour as thyself." The fourth commandment has one of each kind: "Thou shalt do no manner of work;" "Remember the Sabbath day to keep it holy."

[5] Exod. xx. 17; Matt. xv. 19.

principles implanted in the mind of the community are the only security for the performance of religious and moral duties, and the only means of acquiring the happiness which the performance of these duties tends to produce.

While we maintain, in the words of our motto, that "property has its duties as well as its rights," we maintain, with equal firmness, that property has its rights as well as its duties, and they who disregard its rights have no claim on the performance of its duties. But though the rights of property are as sacred as any other rights,[1] yet they are the first to be disregarded among an immoral or an irreligious population. As a portion of the property class, therefore, public companies should support the extension of moral and religious principles, as a means of securing the safe and quiet enjoyment of their possessions. The maintenance of the public worship of God is one means of extending the knowledge and influence of these principles.

But apart from motives of interest, it is no less the duty of public companies, than of individuals, to promote the honour of their Creator and Benefactor; and to diffuse among others those blessings that attend the discharge of religious obligations.

Public companies should not only give to all their servants the means of attending public worship, but they should also contribute towards its support in the district in which their operations are carried on. The houses and the lands they occupy, if not held by them, would probably be occupied by others who would thus contribute. It is, therefore, as much their duty as it is the duty of the other parishioners to provide the means of religious instruction for their neighbours. Contributions towards this object may not only be a suitable way of performing the duty to which we have referred,—that of acknowledging their obligations to the Divine Being, and of extending those principles by which their own property is rendered more secure,—but also of promoting the piety, and, consequently, the happiness, of all the members of the community, and of discharging a duty to

[1] Mark x. 19.

which is distinctly attached the promise of temporal prosperity. "Bring ye all the tithes into the storehouse, that there may be meat in mine house, and prove me now herewith, saith the Lord of hosts, if I will not open you the windows of heaven, and pour you out a blessing, that there shall not be room enough to receive it."[1]

Another religious duty is to reverence the Sabbath-day.

Viewed only with reference to the present life, the institution of the Sabbath-day is one of the greatest blessings that religion has conferred upon man:—"Remember the Sabbath-day to keep it holy: in it thou shalt not do any work."[2] It may be observed, that this is the only one of the ten commandments that we are expressly enjoined to enforce upon our households; and some of the most awful denunciations and threatenings in the Holy Scriptures are directed against the violation of the Sabbath-day. After the return from the Babylonish captivity, Nehemiah was most anxious to enforce the due observance of the Sabbath:—

"In those days saw I in Judah some treading wine-presses on the Sabbath, and bringing in sheaves, and lading asses; as also wine, grapes, and figs, and all manner of burdens, which they brought into Jerusalem on the Sabbath-day: and I testified against them in the day wherein they sold victuals. There dwelt men of Tyre also therein, which brought fish, and all manner of ware, and sold on the Sabbath unto the children of Judah, and in Jerusalem. Then I contended with the nobles of Judah, and said unto them, What evil thing is this that ye do, and profane the Sabbath-day? Did not your fathers thus, and did not our God bring all this evil upon us and upon this city? Yet ye bring more wrath upon Israel by profaning the Sabbath."[3]

The design of the Sabbath is to insure an interval of bodily repose, more especially for the humbler classes of society;[4] to change the current of thought, and thus to preserve the mental powers in a state of vigour and freshness; to give leisure for reflection, and thus enable man to look above him, and around him, and within him, and consider his own character and destiny; and to furnish opportunity for the discharge of those duties of piety, of kindness, and of benevo-

[1] Mal. iii. 10. [2] Exod. xx. 8—10. [3] Neh. xiii. 15—18. [4] Deut. v. 14.

lence, which devolve upon him as a moral and religious being. To express thankfulness for past mercies is specially named as one of the duties to be performed;[1] and these feelings are beautifully expressed in the 100th Psalm :—

"O be joyful in the Lord, all ye lands. Serve the Lord with gladness, and come before his presence with a song. Be ye sure that the Lord he is God: it is he that hath made us, and not we ourselves: we are his people, and the sheep of his pasture. O go your way into his gates with thanksgiving, and into his courts with praise: be thankful unto him, and speak good of his name. For the Lord he is gracious: his mercy is everlasting, and his truth endureth from generation to generation."[2]

The institution of the Sabbath-day must not be regarded as diminishing the produce of annual labour. By improving the habits and invigorating the mental powers, it increases the annual produce of labour, both in regard to nations and individuals. The labour of the Sunday tends not to wealth. It is not the man who "adds Sunday to the week" of toil, who employs that holy day in attending to his ordinary business or in making up his books—no, it is not he who is in the surest road to riches. It is the man who, when the Sunday dawns, feels his mind expand with new and exhilarating and ennobling associations; who, accompanied by his family, appropriately attired, pays his morning homage in the temple of religion, and passes the remainder of the day in works of charity or piety, or in innocent relaxations corresponding with the sanctity of the day—that is the man who, by improving the intellectual, the moral, and the social faculties of his mind, is adopting the surest means of acquiring wealth and respectability in the world.

They greatly err who imagine they are pleading the cause of the poor when they endeavour to remove the religious sanctions of the Sabbath-day. Should the mass of the population once entertain the impression that the observance of the Sunday is not required by religion, but is merely a matter of convenience or expediency, the poor will then have no security for cessation from toil. Reasons will soon be found, based apparently upon a regard for the poor, for increasing

[1] Deut. v. 15. [2] Prayer-Book translation.

their labour. Let the Sunday be regarded no longer as a day of devotion, but merely as a day of pleasure, and it will soon become a day of toil.

Were the Sunday abolished, the poor man would receive no more wages for his seven days' labour than he now does for his six. His scale of comforts would be reduced, as he would have no occasion for a Sunday's attire. His opportunities of social intercourse and of moral improvement would be abolished. In this and in other cases it is shown that Religion, while she is the guide and solace of the wealthy, is pre-eminently the friend and the guardian of the poor.

If it be the duty of nations and of individuals to observe the Sabbath-day, it must equally be the duty of public companies. We read of no dispensation in their favour. The prohibition of any manner of work does not except the work of public companies. It is not said that all men-servants and maid-servants shall have rest except the servants of public companies. Nor are we taught that the violation of the Sabbath-day will bring down judgments upon nations, but none upon public companies.

But, as in domestic, so in social life, there are certain works of necessity, and many duties that must be performed, even on the Sabbath-day.[1] In these cases a public company will act like the head of a religious family. All the secular duties that can be postponed will be postponed to the following day. Other duties will be performed in such portions of the day as will permit as many servants as possible to attend Divine service; and those servants who cannot be thus favoured will be allowed other seasons for the performance of this duty.[2]

We will not attempt to specify in detail all the works that may lawfully be performed by public companies, or by individuals, on the Sabbath-day. We will merely observe that, though "the Sabbath was made for man, and not man for the Sabbath,"[3] yet, at the same time, they who most reli-

[1] Isa. xlix. 15; Luke xiii. 15; xiv. 5.

[2] We omit here the discussion of the question respecting Sunday travelling by railways as inappropriate to the present work.

[3] Mark ii. 27.

giously keep holy the Sabbath-day, may expect to share most largely of those spiritual and temporal benefits its institution was designed to bestow.

"If thou turn away thy foot from the Sabbath, from doing thy pleasure on my holy day; and call the Sabbath a delight, the holy of the Lord, honourable; and shalt honour him, not doing thine own ways, nor finding thine own pleasure, nor speaking thine own words: then shalt thou delight thyself in the Lord; and I will cause thee to RIDE UPON THE HIGH PLACES OF THE EARTH, and feed thee with the heritage of Jacob thy father: for the mouth of the Lord hath spoken it."[1]

IV. The last class of duties are the duties of benevolence.

By the duties of benevolence, we mean the duties we owe to the poor.

Throughout both the Old and the New Testament there is no duty more frequently enforced than this—nor one to the performance of which there is attached so many promises of temporal prosperity.

Moses, besides enacting many laws that had an especial bearing upon the welfare of the poor, enjoined, moreover, the duty of voluntary benevolence.

"And if thy brother be waxen poor, and fallen in decay with thee; then thou shalt relieve him: though he be a stranger and a sojourner.[2]—For the poor shall never cease out of the land: therefore I command thee, saying, Thou shalt open thy hand wide unto thy brother, to thy poor, and to thy needy, in thy land."[3]

The devotional exercises of the Israelites abound with benedictions on those who pitied the poor.

"Blessed is he that considereth the poor: the Lord will deliver him in time of trouble. The Lord will preserve him, and keep him alive; and he shall be blessed upon the earth: and thou wilt not deliver him unto the will of his enemies. The Lord will strengthen him upon the bed of languishing: thou wilt make all his bed in his sickness."[4]

Job said:—

"When the ear heard me, it blessed me; and when the eye saw me, it gave witness to me: because I relieved the poor that cried, and the

[1] Isa. lviii. 13, 14. [2] Lev. xxv. 35. [3] Deut. xv. 11.
[4] Ps. xli. 1, 2, 3.

fatherless, and him that had none to help him. The blessing of him that was ready to perish came upon me: and I caused the widow's heart to sing for joy."[1]

In the Proverbs of Solomon, we read :—

"He that hath pity upon the poor lendeth unto the Lord; and that which he hath given will he pay him again.[2]—He that hath a bountiful eye shall be blessed; for he giveth of his bread to the poor.[3]—He that hath mercy on the poor, happy is he."[4]

Seasons of festivity were celebrated by granting relief to the poor.

"The days wherein the Jews rested from their enemies, and the month which was turned unto them from sorrow to joy, and from from mourning into a good day: that they should make them days of feasting and joy, and of sending portions one to another, and gifts to the poor.[5]—This day is holy unto the Lord your God; mourn not, nor weep. Go your way, eat the fat and drink the sweet, and send portions unto them for whom nothing is prepared."[6]

In the New Testament, we read :—

"Give, and it shall be given unto you; good measure, pressed down, and shaken together, and running over, shall men give into your bosom. For with the same measure that ye mete withal, it shall be measured to you again.[7]—Charge them that are rich in this world, that they be not high-minded, nor trust in uncertain riches, but in the living God, who giveth us richly all things to enjoy; that they do good, that they be rich in good works, ready to distribute, willing to communicate; laying up in store for themselves a good foundation against the time to come, that they may lay hold on eternal life.[8]—Whoso hath this world's goods, and seeth his brother have need, and shutteth up his bowels of compassion from him; how dwelleth the love of God in him?"[9]

On the other hand, the most awful denunciations are directed against those who are unfeeling towards the poor :—

"He that oppresseth the poor reproacheth his Maker: but he that honoureth him hath mercy on the poor.[10]—Whoso stoppeth his ears at the cry of the poor, he also shall cry himself, but shall not be heard.[11] —He that oppresseth the poor, to increase his riches; and he that giveth to the rich, shall surely come to want.[12]—He that giveth unto

[1] Job xxix. 11—13.
[2] Prov. xix. 17.
[3] Prov. xxii. 9.
[4] Prov. xiv. 21.
[5] Esther ix. 22.
[6] Neh. viii. 9, 10.
[7] Luke vi. 38.
[8] 1 Tim. vi. 17—19.
[9] 1 John iii. 17.
[10] Prov. xiv. 31.
[11] Prov. xxi. 13.
[12] Prov. xxii. 16.

the poor shall not lack; but he that hideth his eyes shall have many a curse."[1]

The rule by which public companies, as well as individuals, should regulate the amount of their contributions to religious and charitable purposes, is distinctly laid down in the Holy Scriptures—it is their ability.

"Every man shall give as he is able, according to the blessing of the Lord thy God, which he hath given thee.[2]—Thou shalt truly tithe all the increase of thy seed, that the field bringeth forth year by year.[3]—Upon the first day of the week let every one of you lay by him in store, as God hath prospered him."[4]

The spirit of these instructions appears to be, that public companies should devote to religious and charitable purposes a certain proportion of their annual profits. What that proportion should be, must be determined by each individual company. All public companies have the advantage of knowing the exact amount of their annual gains. "Be thou diligent to know the state of thy flocks, and look well to thy herds." The principle of this injunction is—balance your books every half-year, in order to ascertain the state of your affairs, and the amount of your profits. In all cases we think it better that a fixed sum should be set apart at the commencement of the year, rather than the amount should be regulated by the caprice of the moment. We think it a good practice, even for individuals, and especially for young men commencing life, to determine, like Jacob,[5] that a certain part of their future gains should be devoted to the cause of piety and benevolence. We are not friendly to religious vows; but we think every prudent man (and public companies are presumed to be assemblies of prudent men) should have fixed principles of action, and not let his discharge of pious and charitable duties depend on the impulse of the moment. "Every man according as he purposeth in his heart so let him give, not grudgingly or of necessity, for God loveth a cheerful giver."[6] This language seems to imply that the amount devoted to acts of charity should be the

[1] Prov. xxviii. 27. [2] Deut. xvi. 17. [3] Deut. xiv. 22. [4] 1 Cor. xvi. 2. [5] Gen. xxviii. 22. [6] 2 Cor. ix. 7.

result of previous deliberation, and that those who have fixed the amount by a previous purpose, give with more cheerfulness than those whose minds present on every occasion a conflict between the suggestions of liberality and those of selfishness, and who grudgingly comply with the solicitations of others, or give as a necessity imposed on them by their social position.

We are no advocates for indiscriminate charity. We think that men of business (and of such our public companies are usually composed) should show the same prudence in the exercise of their charity as they would on other occasions; they should endeavour to ascertain the way of doing the most good with equal means, and look to the remote as well as to the immediate effects of their benevolence.

The first claim on their liberality, is that of the parish or district in which the company conducts its operations. As the locality, if not occupied by a company, would probably be occupied by individuals, the company is morally bound to subscribe to the local charities as liberally as would be done by individuals of equal wealth. Another claim is, that of charities whose object has some connexion with the object of the company, or which would relieve the distress of parties employed by the company.

There are also extraordinary cases, wherein, by a sudden visitation of Providence, there is general distress; such as when, by a revulsion of trade, large masses of men are thrown out of employment; or the occurrence of famine, pestilence, or fire. In these cases the appeal is not made to us in our local or professional character, but to our national feeling, or to our common humanity; and then public companies have the same duties to perform as would fall upon individuals of equal wealth. On the other hand, there are occasions wherein private charity is more useful than public charity; and it may become the duty of public bodies, as well as of individuals, to exercise their benevolence in secret.[1]

[1] Matt. vi. 1—4. It appears to us, that one of the least useful modes of benefiting the poor is that of permanent endowments. It seems much better that 1,000*l.* were distributed immediately to the poor, than that this sum were

But it is not necessary that kindness to the poor should always take the form of almsgiving. It is often better to prevent poverty than to relieve it,—to give employment rather than money,—to grant a loan, than to bestow alms. And sometimes public companies can so construct their business arrangements, as, without any pecuniary sacrifice, greatly to promote the interest and the comfort of the humbler classes of the community. Public companies should also co-operate in endeavouring to raise the social condition of the poor, by diminishing the hours of labour, by relieving women and children from unsuitable or oppressive toil, and by extending among the rising population the benefits of religious education.

To remove the ignorance of the poor is a duty not less important than to relieve their distress.

The God of the Bible is described as "the God of knowledge;"[1] and he has implanted in the minds of his creatures a faculty for acquiring and increasing knowledge. The exercise and improvement of this faculty is as much a duty as the improvement of any other talent with which we are entrusted. And from the claims of our common humanity, and from the relation we all sustain to the same Creator,[2] it becomes our duty also to aid others in their pursuit of knowledge. The cultivation of our intellectual faculties does not diminish, but increases and refines our physical comforts—augments our social pleasure, by imparting to each individual additional claims to regard—exalts our devotional feelings, by unlocking more of the wisdom and goodness manifested in the works of God—and while the amiable, though injurious, aberrations of the moral and religious feelings are controlled

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invested in the Funds, and the interest doled out to the poor of distant generations. Let the benevolence of the present age relieve the distress of the present age; and let us hope that the benevolence of future ages will be equal to our own, and equally commensurate with the distress which may then exist. This immediate and broadcast charity seems to answer best to the scriptural description: "He hath dispersed abroad; he *hath given* to the poor; his righteousness [not his legacies] endureth for ever."—Ps. cxii. 9; 2 Cor. ix. 9.

[1] 1 Sam. ii. 3. [2] Mal. ii. 10; Acts xvii. 26.

by the judgment, the adjudications of reason on moral and religious questions are aided and guided by an instructed and enlightened conscience. It is quite possible for all these advantages to be extended to every individual in the community.

It is peculiarly the duty and the interest of the rich to educate the poor: the morals of their children, and the comfort of their families, depend much on the religious education of their servants. Among an educated population, the rights of property—the effects of capital on the demand for labour, and the useful tendency of what are called luxuries—and the necessity for order and subordination in the state, will be better understood. In proportion as the mass of the population are instructed, will be the amount of national happiness and prosperity. Mighty is the monarch, great is the statesman, who can direct the united energies of a nation of cultivated minds. The education of the poor is a duty even more incumbent upon public companies than upon individuals. For it is to the inventions and improvements in science, often made by persons of the working class, that many of them owe their existence. Improvements in the application of steam have produced most of our present mining, and steamboat, and railway companies. Increased attention to statistics and the laws of mortality has multiplied our insurance companies. The general principle on which all our companies are founded —the power of association—is itself the offspring of modern science. Our public companies are triumphs of mind; they denote a high degree of civilization, and exhibit most strikingly, the command of man over the elements of nature, as well as over the beasts of the field, and his power in compelling the inert properties of matter to become the active ministers of his will.

Great is the debt of gratitude due by all our public companies to the cause of mental cultivation; and when these companies are computing the annual gains which from this source they have acquired, let them not forget that the Genius of Mental Cultivation, supported by Benevolence, Patriotism, and Religion, and attended by crowds of the un-

instructed children of the indigent, stands at their door, and humbly asks payment of a portion of this debt.

Let them in part discharge this debt, by seeing that the children of their labourers, and the people of the district, are all supplied with the means of instruction. And afterwards, let them patronise those societies which have for their object the education of the children of the poor in other districts, and throughout the land. They should also, as far as it can be done with justice to others, give promotion to such of their servants as devote their leisure to the cultivation of their minds. The time is gone by when it was a reproach for a young man to be bookish, as he was supposed to abstract so much more time and attention from his official duties. It is now well known that the general cultivation of the intellectual powers, renders them more effective in every operation in which they may be exercised. It is a great advantage to a public company to have educated servants.[1] Their superior knowledge is always useful—the mental discipline they have acquired improves their business habits—and, possessing within themselves a constant source of enjoyment, they are the less likely to indulge in those expensive pleasures which are the usual temptation to neglect and dishonesty.

Thirdly.—Having ascertained that public companies are moral agents, and having described the duties which, as moral agents, they are bound to perform, we shall now inquire what are the rewards or punishments which may be expected to follow the performance or non-performance of these duties.

[1] "It seems likely that a movement will continue to be made in favour of universal education. I think it desirable that bank managers and branch managers should aid this movement in their respective localities, and should support generally, by their assistance and influence, the formation of literary and scientific institutions. This would afford an outlet for any surplus energy of character that might remain after the hours of business, and enable them to promote the public good, without taking part in political or religious discussions. They would acquire for themselves much pleasurable and profitable amusement, would add to the usefulness and respectability of their character in public estimation, and thus be enabled to increase the influence of their respective establishments."—*A further Extract from the Letter quoted at page* 224, *Vol. I.*

A liability to rewards or punishments is essential to moral agency. To say that public companies are moral agents, but that they will not be rewarded or punished for anything they may do, would be to assert a contradiction. In pursuing our inquiries, therefore, on this subject, we shall ask:—I. At what time will these rewards or punishments be received? II. What will be their nature? III. In what manner will they be applied? and IV. What are the effects these doctrines should produce on the conduct of public companies?

I. *When* will these rewards or punishments be bestowed?

From the established order of Providence, which causes virtue to be followed by happiness, and vice by misery, and from the dispositions implanted in the mind of man, it may fairly be inferred, that the Creator and Governor of the world is a God of truth, and without iniquity, just and right is He.[1] And as He also possesses omnipotent power, He will assuredly carry his dispositions and purposes into effect. But on comparing these attributes of the Supreme Governor of the universe with the actual destiny of the righteous and the wicked in the present world, we do not perceive that perfect union of virtue with happiness, and of vice with misery, which our contemplation of the Divine character would lead us to expect; and inquiring minds have often been puzzled for a solution of this difficulty.

"Righteous art thou, O Lord, when I plead with thee: yet let me talk with thee of thy judgments: wherefore doth the way of the wicked prosper? wherefore are all they happy that deal very treacherously?[2]—Thou art of purer eyes than to behold evil, and canst not look on iniquity: wherefore (then) lookest thou upon them that deal treacherously, and holdest thy tongue when the wicked devoureth the man that is more righteous than he?[3]—As for me, my feet were almost gone; my steps had well-nigh slipped. For I was envious at the foolish, when I saw the prosperity of the wicked."[4]

The Book of Job is a controversy upon this question.

The friends of Job maintained the proposition, that the

[1] Deut. xxxii. 4. [2] Jer. xii. 1. [3] Hab. i. 13. [4] Ps. lxxiii. 2, 3.

destiny of men in the present life corresponded with their moral character.

"Remember, I pray thee, who ever perished, being innocent? or where were the righteous cut off? Even as I have seen, they that plough iniquity, and sow wickedness, reap the same.[1]—Behold, God will not cast away a perfect man, neither will he help the evil doers.[2]—If thou wert pure and upright; surely now he would awake for thee, and make the habitation of thy righteousness prosperous."[3]

Job does not admit this proposition, but declares that sometimes "the tabernacles of robbers prosper, and they that provoke God are secure, into whose hand God bringeth abundantly."[4]

In attempting the solution of this difficulty, it may be observed that, though not universally, yet generally, virtue and happiness, vice and misery, are associated in the dispensations of Providence in the present world. And, indeed, in all the moral sciences, the general propositions are subject to exceptions—the moral sciences differing, in this respect, from the abstract and the physical sciences; or, to use the language of logicians, there is a metaphysical, a physical, and a moral universality.[5] Thus, though it be a general rule in political economy, that the diligent hand maketh rich, yet there are some diligent hands that do not become rich. And though it be a general rule in the science of education, that if you train up a child in the way he should go, when he is old he will not depart from it, yet there are some melancholy exceptions. And thus it is a general rule, that the righteous are prosperous, and the wicked miserable, in the present world, subject only to those exceptions to which all general rules, in the science of morals, are liable. It may also be observed, that, when those exceptions do occur, the prosperity of the wicked, and the afflictions of the righteous, are only of a short duration,[6] and often even rectify themselves; the afflictions of the righteous leading to prosperity, and the prosperity of the wicked leading to destruction.[7]

[1] Job iv. 7, 8.
[2] Job viii. 20.
[3] Job viii. 6.
[4] Job xii. 6.
[5] Watts's Logic.
[6] Ps. xxxiv. 19; Job xx. 5.
[7] Gen. xlv. 7, 8; Prov. i. 32.

It may moreover be contended, that outward circumstances are no certain index of happiness; that the wicked man, amid all his prosperity, may have a conscience that shall bite as an adder;[1] or have some particular circumstance that shall give him so much annoyance as to nullify all the pleasures of his success.[2] While, on the other hand, the righteous man may possess such inward sources of happiness, as shall enable him to rejoice even in tribulation.[3]

But though these considerations may lighten, they do not remove the difficulty. It is not consistent with the teaching of our intellectual faculties, nor with the impulses of our moral feelings, that a Being of immaculate holiness and inflexible justice, and possessed, moreover, of omniscience and omnipotence, should permit, in even a single instance, that virtue should go unrewarded, and vice should remain unpunished. If the Creator of the world were not a righteous Being, he would not have implanted a love of righteousness in the minds of his creatures; and if he be a righteous Being, it is reasonable to expect that his righteousness should appear in all the operations of his moral government. And as we find this is not universally the case,[4] we are driven to the conclusion, that the present state is not a state of final retribution; that the enjoyments and the afflictions of the present life are intended chiefly as instruments of moral discipline; and that there is a future state of existence, in which the final distribution of rewards and punishments will take place. Thus reason concurs with Revelation in teaching us that "it is appointed unto men once to die, and *after that* the judgment."[5] The inequalities of the present world will thus be rectified in the next, and "every man will be rewarded according to his works."[6]

But, however satisfactory this solution of the difficulty may be with regard to individuals, it does not apply to the case of public companies. Their existence commences and terminates in the present world, and they must be rewarded or punished in the present world, or they will not be punished

[1] Prov. xxiii. 32. [2] Esther v. 11—13. [3] Heb. x. 34; Hab. iii. 17, 18.
[4] Eccles. vii. 15; ix. 2. [5] Heb. ix. 27. [6] Prov. xxiv. 12.

or rewarded at all. In the latter case they are exempted from the moral government of God. With them virtue has no reward and vice no punishment. In reply to any exhortations to perform their moral and religious duties, they may exclaim, "What is the Almighty, that we should serve him, and what profit should we have if we pray unto him?"[1] "We know not the Lord, neither will we obey his voice."[2] As, however, we cannot suppose that God has exempted public companies from his moral government, we must infer that they are punished or rewarded in the present state.

This conclusion rests upon the same evidence as the argument we have just stated. In the former case the argument stands thus:—

The Righteous Governor of the world must reward the good and punish the wicked.
But this is not done in the present world.
Therefore there must be a future world, in which this retribution will take place.

Our present argument stands thus:—

The Righteous Governor of the world must reward the good and punish the wicked, whether those actions are performed by public bodies or private individuals.
But the public companies who now perform good or evil actions will not exist in a future world.
Therefore public companies must be rewarded or punished in the present world.

The only way of resisting this argument is either to maintain that public companies are not moral agents, and therefore not responsible for their good or evil actions, or that they will exist in a future world. The former part of the alternative we think we have sufficiently refuted—the latter is too wild to need refutation.[3]

All the promisings and threatenings of Scripture made to nations or other bodies of men have a reference to the present

[1] Job xxi. 15. [2] Exod. v. 2.

[3] Luke xx. 34—36. If the marriage contract shall then be dissolved, *à fortiori*, other contracts will also be dissolved.

world, as it is only in the present world that such collective bodies can, in their corporate capacity, be either punished or rewarded.

II. What is the nature of those rewards or punishments?

The object of a public company is to get wealth—a few patriotic shareholders may have taken shares to benefit the country, or the district that may be the field of its operations; but by far the greater number have no other object than to obtain a profitable employment for their capital. A public company therefore cannot be considered as prosperous, unless this object be obtained. If then a public company be rewarded, it must be by an increase of its wealth; if it be punished, it must be by a diminution of its wealth.[1]

That wealth is an evil, is not the doctrine of Scripture nor of common sense.

In Scripture, wealth is distinctly called a blessing:—

"The Lord hath blessed my master greatly; and he is become great: and he hath given him flocks, and herds, and silver, and gold, and man-servants, and maid-servants, and camels.[2]—Thou knowest how I have served thee, and how thy cattle was with me. For it was little which thou hadst before I came, and it is now increased into a multitude, and the Lord hath blessed thee since my coming.[3]—The Lord blessed the latter end of Job more than his beginning: for he had fourteen thousand sheep, and six thousand camels, and a thousand yoke of oxen, and a thousand she-asses."[4]

The exhortation given in Scripture to the rich, to relieve the distress of the poor, must be founded on the principle that wealth is a blessing, and that poverty is an evil; for if the poor are more happy, more wise, and more virtuous than

[1] It may be observed that wealth, riches, and similar terms, have usually a relative meaning. Generally, they denote the amount of property possessed by each individual in the highest classes of society. In this sense, wealthy people are comparatively few. But when it is said, "that the diligent hand maketh rich," it is not meant that every diligent man is placed at the top of society—that would be impossible. It means only that he possesses more property, and a larger portion of the comforts of life, than he would possess were he not diligent. He is rich, not, perchance, as compared with others, but as compared with his former self.

[2] Gen. xxiv. 35. [3] Gen. xxx. 29, 30. [4] Job xlii. 12.

the rich, upon what ground can the rich be exhorted to relieve the poor?

Even the cautions and admonitions given to the rich, assume the principle that wealth is a blessing.—"Better is the poor that walketh in his uprightness, than he that is perverse in his ways, though he be rich."[1] This asserts that wealth is not so great a blessing as moral rectitude; but still it assumes that wealth is a blessing. This will appear if we reverse the sentence; for though it will then be equally true, yet for want of this assumption it will appear ridiculous;—better is the rich that walketh in his uprightness, than he that is perverse in his ways, though he be poor. "Let not the rich man glory in his riches."[2] "Riches make themselves wings, and fly away as an eagle towards heaven."[3] "Charge them that are rich in this world, that they trust not in uncertain riches."[4] All these expressions imply that riches are blessings; and though they partake of the uncertainty of all earthly blessings, as health, friends, or reputation, yet still they are blessings to be received with thanksgiving;[5] and to be employed in promoting the honour of God;[6] and the good of mankind.

The Scriptures do not intimate that the personal enjoyment of wealth is necessarily sinful.

Wealth, like any other blessing, may be desired from improper motives,[7] and sought by improper means,[8] and such an ill-regulated desire may become the root of all evil.[9] It is also true, that when wealth is obtained it has its temptations, and so have intellectual superiority, literary excellence, and even religious attainments.[10] But, it is not the honourable pursuit of wealth, nor the innocent enjoyment of its advantages, that constitutes a crime. "The ground of a certain rich man brought forth plentifully; and he said, I will pull down my barns and build greater, and there will I bestow my fruits, and will say to my soul, Take thine ease,

[1] Prov. xxviii. 6.
[2] Jer. ix. 23.
[3] Prov. xxiii. 5.
[4] 1 Tim. vi. 17.
[5] 1 Tim. iv. 3.
[6] 2 Cor. viii. 7.
[7] James iv. 3.
[8] Prov. xxviii. 22; 1 Tim. vi. 9.
[9] 1 Tim. vi. 10.
[10] 2 Cor. xii. 7.

eat, drink, and be merry."[1] There was nothing wrong in this. His folly consisted in forgetfulness of the approach of death, and his neglect of preparation for a future state. And in regard to the other rich man,[2] it was not his clothing himself in purple and fine linen, and faring sumptuously every day; it was his omitting to relieve the poor man who was laid at his gate, and his neglecting to hear Moses and the prophets, that brought him to the place of torment.

Not only is wealth represented in Scripture as a blessing, but it is a blessing promised as a reward to the practice of virtue and piety.

"All these blessings shall come on thee, and overtake thee, if thou shalt hearken unto the voice of the Lord thy God.—Blessed shalt thou be in the city, and blessed shalt thou be in the field.—Blessed shall be thy basket and thy store. The Lord shall command the blessing upon thee in thy storehouses, and in all that thou settest thine hand unto.—And the Lord shall make thee plenteous in goods, in the fruit of thy cattle, and in the fruit of thy ground.—The Lord shall open unto thee his good treasures, the heaven to give the rain unto thy land in his season, and to bless all the work of thine hand."[3]

"Godliness is profitable unto all things, having promise of the life that now is, and of that which is to come.[4]—By humility and the fear of the Lord, are riches, honour, and life.[5]—The blessing of the Lord it maketh rich, and he addeth no sorrow therewith.[6]—That I may cause them that love me to inherit substance, and I will fill their treasures."[7]

The virtues, upon the exercise of which wealth is most frequently promised, are diligence, righteousness, prudence, liberality in the cause of religion, and kindness to the poor.

1. Diligence in business:—

"The hand of the diligent maketh rich.[8]—The hand of the diligent shall bear rule, but the slothful shall be under tribute.[9]—The soul of the diligent shall be made fat.[10]—The thoughts of the diligent tend only to plenteousness.[11]—Seest thou a man diligent in his business? he shall stand before kings; he shall not stand before mean men.[12]—Wealth gotten by vanity shall be diminished, but he that gathereth by labour

[1] Luke xii. 10—20.
[2] Luke xvi. 19.
[3] Deut. xxviii.
[4] 1 Tim. iv. 8.
[5] Prov. xxii. 4.
[6] Prov. x. 22.
[7] Prov. viii. 21.
[8] Prov. x. 4.
[9] Prov. xii. 24.
[10] Prov. xiii. 4.
[11] Prov. xxi. 5.
[12] Prov. xxii. 29.

shall increase.[1]—Be thou diligent to know the state of thy flocks, and look well to thy herds."[2]

2. Righteousness in social transactions :—

"The curse of the Lord is in the house of the wicked, but he blesseth the habitation of the just.[3]—He that walketh righteously, and speaketh uprightly; he that despiseth the gain of oppressions, that shaketh his hands from holding of bribes, that stoppeth his ears from hearing of blood, and shutteth his eyes from seeing evil; he shall dwell on high: his place of defence shall be the munitions of rocks: bread shall be given him; his water shall be sure.[4]—And if thy brother be sold unto thee, and serve thee six years; then, in the seventh year, thou shalt let him go free from thee. And when thou sendest him out free from thee, thou shalt not let him go away empty: thou shalt furnish him liberally out of thy flock, and out of thy floor, and out of thy wine-press: of that wherewith the Lord thy God hath blessed thee thou shalt give unto him. It shall not seem hard unto thee when thou sendest him away free from thee; *for he hath been worth a double hired servant unto thee*, in serving thee six years: and the Lord thy God shall bless thee in all that thou doest."[5]

3. Prudent habits :—

"He that loveth pleasure shall be a poor man; he that loveth wine and oil shall not be rich.[6]—The drunkard and the glutton shall come to poverty, and drowsiness shall clothe a man with rags.[7]—He that tilleth his land shall be satisfied with bread, but he that followeth after vain persons shall have poverty enough.[8]—He that is slothful in his work is brother to him that is a great waster.[9]—A prudent man foreseeth the evil, and hideth himself; but the simple pass on and are punished.[10]—The sluggard will not plough by reason of the cold; therefore shall he beg in harvest, and have nothing.[11]—Love not sleep, lest thou come to poverty. Open thine eyes, and thou shalt be satisfied with bread.[12]—In all labour there is profit: but the talk of the lips tendeth only to penury.[13]

4. Liberality in the cause of religion :—

"Honour the Lord with thy substance, and with the first-fruits of all thine increase; so shall thy barns be filled with plenty, and thy presses shall burst out with new wine.[14]—Thou shalt truly tithe all the increase of thy seed, that the field bringeth forth year by year. And thou shalt

[1] Prov. xiii. 11.
[2] Prov. xxvii. 23.
[3] Prov. iii. 33.
[4] Isa. xxxiii. 15, 16.
[5] Deut. xv. 12, 13, 14, 18.
[6] Prov. xxi. 17.
[7] Prov. xxiii. 21.
[8] Prov. xxviii. 19.
[9] Prov. xviii. 9.
[10] Prov. xxii. 3.
[11] Prov. xx. 4.
[12] Prov. xx. 13.
[13] Prov. xiv. 23.
[14] Prov. iii. 9, 10.

eat before the Lord thy God, in the place in which he shall choose to place his name there, the tithe of thy corn, of thy wine, and of thine oil, and the firstlings of thy herds and of thy flocks; that thou mayest learn to fear the Lord thy God always. And the Levite (because he hath no part nor inheritance with thee), and the stranger, and the fatherless, and the widow, which are within thy gates, shall come, and shall eat and be satisfied; that the Lord thy God may bless thee in all the work of thy hand which thou doest."[1]

5. Kindness to the poor:—

"If there be among you a poor man of one of thy brethren within any of thy gates in thy land which the Lord thy God giveth thee, thou shalt not harden thine heart, nor shut thine hand from thy poor brother. Thou shalt surely give him, and thine heart shall not be grieved when thou givest unto him: because that for this thing the Lord thy God shall bless thee in all thy works and in all that thou puttest thine hand unto."[2]

These are the maxims that form the scriptural art of getting rich. We often hear of other maxims,—such as, "Mind number one;" "A penny saved is a penny got;" "Take care of the pence, and the pounds will take care of themselves;" "Charity begins at home." But these maxims are not found among the Proverbs of Solomon, nor does the Bible anywhere teach us that selfishness, niggardliness, and closefistedness, are the road to wealth. The scriptural doctrine is the reverse of this:—

"The liberal soul shall be made fat: and he that watereth shall be watered also himself.[3]—The liberal deviseth liberal things; and by liberal things shall he stand.[4]—There is that scattereth, and yet increaseth; and there is that withholdeth more than is meet, but it tendeth to poverty.[5]—He which soweth sparingly, shall reap also sparingly; and he which soweth bountifully shall reap also bountifully."[6]

And even in those cases in which wealth is obtained by dishonourable means, that wealth is represented as soon departing from the possession of the individual, and passing into more worthy hands.

"He that oppresseth the poor to increase his riches, and he that

[1] Deut. xiv. 22, 23, 29.
[2] Deut. xv. 7, 10.
[3] Prov. xi. 25.
[4] Isa. xxxii. 8.
[5] Prov. xi. 24.
[6] 2 Cor. ix. 6.

giveth to the rich, shall surely come to want.[1]—The Lord will not suffer the soul of the righteous to famish: but he casteth away the substance of the wicked.[2]—He that by usury and unjust gain increaseth his substance, he shall gather it for him that will pity the poor.[3]—The wealth of the sinner is laid up for the just.[4]—God giveth to a man that is good in his sight, wisdom, and knowledge, and joy: but to the sinner he giveth travail, to gather and to heap up, that he may give to him that is good before God."[5]

Thus we find, that, according to the political economy of the Bible, wealth is the gift of God,[6] and it is bestowed by him upon those that fear God, and keep his commandments. This blessing is not always bestowed on righteous individuals, because with individuals this is not a state of final retribution; and they are promised in this world, only such a portion of the sunshine of prosperity, as shall conduce to the maturing of the excellences of their character.[7] But with public companies this is a state of final retribution, and hence, with them righteousness will bring wealth, and wickedness will bring poverty.

III. In what manner are these rewards or punishments applied?

Rewards or punishments in the present life reach us as the natural effects of the virtues or vices which we practise, or they fall upon us by the special visitations of Divine Providence. There is a natural connexion, for instance, between the virtue of temperance and the blessing of health—between industry and wealth—between honesty and reputation; and when we read, "He that tilleth his land shall be satisfied with bread,"[8] "The hand of the diligent maketh rich,"[9] we see at once the connexion between the virtues practised and the blessings that follow them. But when we read, "Honour thy father and thy mother, that thy days may be long,"[10] "Blessed is he that considereth the poor: the Lord will deliver him in time of trouble,"[11] we do not so readily see the con-

[1] Prov. xxii. 16.
[2] Prov. x. 3.
[3] Prov. xxviii. 8.
[4] Prov. xiii. 22.
[5] Eccles. ii. 26.
[6] Eccles. v. 19.
[7] Rom. viii. 28; 1 Cor. iii. 21.
[8] Prov. xii. 11.
[9] Prov. x. 4.
[10] Exod. xx. 12.
[11] Ps. xii. 1.

nexion between the duty and the blessing. We do not see why filial piety should be connected with longevity, nor why considering the poor should produce deliverance from trouble. These, then, are to be considered as commandments "with promise."[1] The connection between the duty and the blessing depends on the promises of God. It may so be, that in the secret machinery of Providence, the connexion between the virtues and the blessings may be as natural and as necessary in these latter cases as in the former, but the connexion is not so obvious to us, and therefore, when these blessings occur, we view them as coming directly from the special visitations of the Most High. It may also be observed that, even in the former cases, the connexion is not so necessary or so constant as to supersede the necessity for the Divine blessing. For though industry has a tendency to produce wealth, yet, in many individual cases, it does not do so. In this, and in other moral laws, the Supreme Being appears to have left them open to exceptions, in order to keep up the sense of dependence and the feelings of devotion in the minds of his creature.

It may be observed, in general, that a principle of righteous retaliation appears to be the prevailing principle of the Divine government.

The Scriptures abound with declarations of this principle.

"I the Lord search the heart, I try the reins, even to give every man according to his ways, and according to the fruit of his doings.[2]—Whatever good thing any man doeth, the same shall he receive of the Lord.[3]—For if ye forgive men their trespasses, your heavenly Father will also forgive you: but if ye forgive not men their trespasses, neither will your Father forgive your trespasses.[4]—He that doeth wrong shall receive for the wrong which he hath done.[5]—It is a righteous thing with God to recompense tribulation to them that trouble you.[6]—Judge not, that ye be not judged. For with what judgment ye judge, ye shall be judged; and with what measure ye mete, it shall be measured to you again.[7]—Whoso rewardeth evil for good, evil shall not depart from his house.[8]—Whoso causeth the righteous to go astray in an evil way, he

[1] Eph. vi. 2.
[2] Jer. xvii. 10.
[3] Eph. vi. 8.
[4] Matt. vi. 14, 15.
[5] Col. iii. 25.
[6] 2 Thess. i. 6.
[7] Matt. vii. 1, 2.
[8] Prov. xvii. 13.

shall fall himself into his own pit.[1]—They shall eat of the fruit of their own way, and be filled with their own devices."[2]

This principle prevails throughout all the enactments of the Mosaic law.

"If a man cause a blemish in his neighbour, as he hath done, so shall it be done to him.[3]—Eye for eye, tooth for tooth, hand for hand, foot for foot.[4]—If a false witness rise up against any man to testify against him that which is wrong; then shall ye do unto him, as he had thought to have done unto his brother.[5]—Whoso sheddeth man's blood, by man shall his blood be shed."[6]

The denunciations of Scripture often refer to this principle.

"Ye shall not afflict any widow, or fatherless child. If thou afflict them in anywise, and they cry at all unto me, I will surely hear their cry; and your wives shall be widows, and your children fatherless.[7]—Because thou hast spoiled many nations, all the remnant of the people shall spoil thee.[8]—The children also of Judah and the children of Jerusalem have ye sold unto the Grecians; and I will sell your sons and your daughters into the hand of the children of Judah, and they shall sell them to the Sabeans."[9]

Many of the facts recorded in Scripture illustrate the application of this principle.

"But Adonibezek fled, and they pursued after him, and caught him, and cut off his thumbs and his great toes; and Adonibezek said, Three score and ten kings having their thumbs and their great toes cut off, gathered their meat under my table: as I have done, so God hath requited me.[10]—Samuel said unto Agag, As thy sword hath made women childless, so shall thy mother be childless among women.[11]—Elijah said to Ahab, Thus saith the Lord, In the place where dogs licked the blood of Naboth, shall dogs lick thy blood, even thine.[12]—They hanged Haman on the gallows that he had prepared for Mordecai."[13]

Providence seems to have implanted in the mind of man a desire of witnessing the application of this principle. An honourable feeling of gratification arises in virtuous minds, when the man of violence, of fraud, or oppression, has been

[1] Prov. xxviii. 10.
[2] Prov. i. 31.
[3] Lev. xxiv. 19.
[4] Exod. xxi. 24.
[5] Deut. xix. 16, 19.
[6] Gen. ix. 6.
[7] Exod. xxii. 22—24.
[8] Hab. ii. 8.
[9] Joel iii. 6, 8.
[10] Judges i. 6, 7.
[11] 1 Sam. xv. 33.
[12] 1 Kings xxi. 19.
[13] Esther vii. 10.

punished in a way corresponding to his crime, and by means brought on by his own actions. Hence the Psalmist prays, "Let the wicked fall into their own nets, whilst that I withal escape."[1] "Let his net that he hath hid catch himself: into that very destruction let him fall."[2] And he rejoices in witnessing the accomplishment of his desires. "The wicked is snared in the work of his own hands. The heathen are sunk down in the pit that they made: in the net which they hid is their own foot taken."[3] "They have digged a pit before me, into the midst whereof they are fallen themselves."[4]

We should infer from these principles, that, in the ordinary course of Providence, it will be natural to expect that public companies will receive their rewards or punishments as the result of their own actions. And this will more obviously be the case when prosperity is bestowed as the reward of diligence, righteousness, or prudence. But when success is bestowed as the reward of the duties of religion or benevolence, it may arise from sudden or unexpected causes. At the same time, we cannot lay down any rules for the Divine procedure. "He giveth not account of any of his matters."[5] "He will destroy the wisdom of the wise, and will bring to nothing the understanding of the prudent."[6] He can unlock fresh sources of prosperity, or open new fountains of affliction, whenever He thinks meet to do so for the moral discipline of his intelligent creation. "The Lord maketh poor and maketh rich: He bringeth low and lifteth up."[7] "When He giveth quietness, who then can make trouble? and when He hideth His face, who then can behold Him, whether it be done against a nation or against a man only?"[8] With regard to public companies as well as individuals, "He putteth down one, and setteth up another, and none can stay His hand, or say unto Him, What doest Thou?"[9] But though "clouds and darkness are round about Him, yet righteousness and judgment are the habitation of His throne."[10] And He will so arrange

[1] Ps. cxli. 10.
[2] Ps. xxxv. 8.
[3] Ps ix. 15, 16.
[4] Ps. lvii. 6.
[5] Job xxxiii. 13.
[6] 1 Cor. i. 19.
[7] 1 Sam. ii. 7.
[8] Job xxxiv. 29.
[9] Ps. lxxv. 7; Dan. iv. 35.
[10] Ps. xcvii. 2.

the dispensations of His providence, "that men shall say, Verily, there is a reward for the righteous; verily, there is a God that judgeth IN THE EARTH."[1]

IV. The effects which a liability to these rewards and punishments should produce on the conduct of public companies.

The doctrine we have endeavoured to establish is, that public companies are moral agents, capable of performing good and evil actions. That those which perform good actions will be rewarded, and those which perform evil actions will be punished; and that those rewards and punishments will consist generally in an increase or diminution of their wealth. We shall now notice the practical application which public companies may make of this doctrine.

A liability to be rewarded or punished according to their works should naturally induce public companies to act in such a way as to obtain the reward and to avoid the punishment. This is to be done by performing the duties we have described. Let them perform the duties they owe to their country, and to those with whom they are socially related; their duties to God, and to the poor; and they may hope with confidence for those blessings which are promised to follow the performance of those duties.

1. Public companies should not use this doctrine uncharitably in the opinion they form of other companies which are not so prosperous as themselves.

Our doctrine does not teach us that success will *immediately*, in all cases, follow the performance of the duties we have described; nor that success will be unchecked or unalloyed. A few years is a short period in the history of a public company, and we can form no judgment from so short a period of its ultimate success. Nay, it is possible that these few years of struggle and difficulty may be the foundation of its future greatness. We should, therefore, judge illogically and uncharitably, were we, from the temporary distress of a public company, to infer that it was deficient in the performance of

[1] Ps. lviii. 11.

its moral and religious duties. We know enough of the principles of the Divine Government to be able to regulate our own conduct, but not enough to enable us to pass sentence on the conduct of others.[1]

2. Public companies should not envy other public companies, who may have neglected their moral and religious duties, and yet, for a time, may enjoy a high degree of apparent prosperity.

When large fortunes are suddenly acquired by comparatively slight deviations from the path of rectitude, even virtuous minds are almost tempted to regret their own purity, and to exclaim, "Verily I have cleansed my heart in vain, and washed my hands in innocency. Behold the ungodly, who prosper in the world; they increase in riches."[2] But we are cautioned against the indulgence of this disposition.

"Fret not thyself because of evil doers, neither be thou envious against the workers of iniquity. For they shall soon be cut down like the grass, and wither as the green herb. Rest in the Lord, and wait patiently for him: fret not thyself because of him who prospereth in his way, because of the man who bringeth wicked devices to pass. Fret not thyself in any wise to do evil; for evil doers shall be cut off: but those that wait upon the Lord, they shall inherit the earth. For yet a little while, and the wicked shall not be: yea, thou shalt diligently consider his place, and it shall not be.[3]—I have seen the wicked in great power, and spreading himself like a green bay tree. Yet he passed away, and, lo, he was not; yea, I sought him, but he could not be found."[4]

3. Let those public companies which are not successful, examine the duties we have described, one by one, and ascertain if they have performed them all. If they find they may justly be charged with omissions, then "put away the evil of your doings; cease to do evil; learn to do well; seek judgment, relieve the oppressed, judge the fatherless, plead for the poor. If ye be willing and obedient, ye shall eat of the fruit of the land."[5] If they find they have performed all their duties, and yet are not successful, let them not "be weary in well-doing, for in due season they shall reap, if they faint not."[6]

[1] Luke xiii. 1—5; Acts xxviii. 3—6.
[2] Ps. lxxiii. 13, 12.
[3] Ps. xxxvii. 1—10.
[4] Ps. xxxvii. 35, 36.
[5] Isa. i. 16, 18, 19.
[6] Gal. vi. 9.

4. Let those public companies which are prosperous also examine how far they are chargeable with a neglect of any of their moral or religious duties. "If weighed in the balance, and found wanting,"[1] let them reflect on the transient nature of unsanctified prosperity. "Behold, these are the ungodly, who prosper in the world; they increase in riches. Surely thou didst set them in slippery places; thou castedst them down into destruction. How are they brought into desolation, as in a moment!"[2] "Lo, this is the man that made not God his strength; but trusted in the abundance of his riches, and strengthened himself in his wickedness. God shall destroy thee for ever, he shall take thee away, and root thee out of the land of the living.[3]

If they find that they have strictly observed the duties of morality, but neglected those of religion and benevolence, let them recollect that, although it is said, "To do justice and judgment is more acceptable to the Lord than sacrifice,"[4] —thus intimating that morality without religion is better than religion without morality—yet the union of both is essential to perfection of character, and to the attainment of the highest degree of prosperity. If they have received those blessings which are promised to the exercise of diligence, righteousness, and prudence, let them endeavour to obtain those also which are promised to religion and benevolence. Let them not allow it to be said, that though "diligent in business,"[5] yet they have not "diligently followed every good work,"[6] that their righteousness refers only to temporal affairs, and though scrupulously observant of the rights of man, yet they have been unmindful of the rights of God;[7] that their wisdom is only the wisdom of this world, and not the wisdom which cometh from above, which is "first pure, then peaceable, gentle, and easy to be entreated, full of mercy and good fruits;"[8] and that their splendid buildings are temples devoted to the service of Mammon,[9] from whose

[1] Dan. v. 27.
[2] Ps. lxxiii. 12, 18, 19.
[3] Ps. lii. 5, 7.
[4] Prov. xxi. 3.
[5] Prov. xxii. 29.
[6] 1 Tim. v. 10.
[7] Deut. xxxii. 18.
[8] James iii. 17.
[9] Matt. vi. 24.

altars no sacrifices of thanksgiving[1] ascend to the Most High, and at whose gates the poor and the needy stand and plead in vain.[2]

As for those public companies that have performed all their moral and religious duties, and have obtained all the promised prosperity, they have only to indulge in the pleasing duties of gratitude and joy. "Go thy way, eat thy bread with joy, and drink thy wine with a merry heart, for God now accepteth thy works."[3] "Because the Lord thy God hath blessed thee in all thy increase, and in all the works of thine hands, therefore thou shalt surely rejoice."[4] "Peace be within thy walls, and prosperity within thy palaces."[5] It affords pleasure to God[6] and to men[7] to see piety and virtue in a state of prosperity.

And let those individuals who from their talents, their wealth, or their position, have the power of influencing the conduct of public companies, recollect they are responsible for the exercise of the influence they possess; and although these companies will cease to exist with the present world, yet individuals will not. And those who from Christian motives may cause the companies with which they are connected to pay higher attention to their moral and religious duties, and who thus shall "turn many to righteousness,"[8] may expect that, after they have served their generation,[9] according to the will of God, they will be permitted, through Divine Grace, to join the COMPANY of angels, and the spirits of just men made perfect,[10] whose names are written in the Lamb's Book of Life.[11]

[1] Ps. cxvi. 17.
[2] Deut. xv. 7; Luke xvi. 21.
[3] Eccles. ix. 7.
[4] Deut. xvi. 15.
[5] Ps. cxxii. 7.
[6] Ps. xxxv. 27.
[7] Prov. xi. 10; xxix. 2.
[8] Dan. xii. 3.
[9] Acts xiii. 36.
[10] Heb. xii. 22, 23.
[11] Rev. xxi. 27.

SECTION IX.

TEN MINUTES' ADVICE ABOUT KEEPING A BANKER.

1. A Banker is a man who has an open shop, with proper counters, clerks, and books, for receiving other people's money in order to keep it safe, and return it upon demand.

2. The building or shop in which this business is carried on, is usually called in London a "Banking-house," but in Scotland, and in the country parts of England, it is called a "Bank." The word "bank" is also employed to denote the partnership or company who carry on the business of banking. Thus we say, the Bank of Scotland, the London and Westminster Bank, the Bank of Messrs. Coutts & Co.

3. When a company of this kind does not consist of more than six or eight partners, it is called a "Private Bank;" but when the company consists of several hundred partners, it is called in Scotland a "Public Bank," and in England a "Joint-stock Bank."

4. A private bank is usually managed by one or more of the partners, and all the partners are styled Bankers. A public bank is managed by a principal officer, who is usually styled a Manager. In England a bank-manager is not commonly called a banker; but in Scotland all managers of banks, and managers of branch banks, are called bankers. So mind, when I use the word "banker," you may apply it to either a private banker or to a bank-manager, whichever you please, as my observations will be as applicable to one as to the other. A banker is a man who carries on the business of banking; and whether he carries it on upon his own account, or as the agent of a public company, it appears to me to make no difference as to his claims to be called a banker.

5. It is the business of all these banks to receive other people's money, and to return it upon demand. And when any person puts money into one of these banks he is said to

have opened an account with the bank; and when he has thus opened an account, and continues to put in and draw out money, he is said to have a current account, or, in London phraseology, "to keep a banker."

6. In Scotland almost every man has an account of some sort with a bank. The rich man in trade has an account because of the facility of conducting his operations: the rich man out of trade has an account because he gets interest upon his lodgments, and he keeps his money in the bank until he has an opportunity of investing it elsewhere at a better rate of interest. The middle class of people have an account because of the convenience of it, and because they obtain the discount of their bills, and perhaps loans, on giving two sureties, which are called cash credits. The poorer classes lodge their small savings in the bank, because of the security, and because they get interest on the sums which are lodged.

7. But in London the practice of keeping an account with a bank is by no means so common as in Scotland. The London private banks are banks only for the rich. The bankers require that every person opening an account shall always have a sum to his credit; and if the sum thus kept is not what they deem sufficient, they will close the account. Hence the middle class of people in London have no banker at all, and the poorer class lodge their money in the savings banks, where they get interest, which they would not get from the London banker. It should also be stated, that besides keeping a sufficient balance, a party opening an account with a London banker is expected to give a certain sum every year to the clerks. This is called Christmas-money, and the object is merely to enable the banker to pay a less salary to his clerks, at the expense of his customers.

8. But within a few years, public or joint-stock banks have been established in London. These banks, or at least some of them, will allow you to open an account without promising to keep a large balance, or even any balance at all, provided you pay a small sum annually as a commission. This sum is fixed when you open the account, and it is about the same that you would be expected to give as Christmas-money to

the clerks of a private bank. Hence people of moderate incomes, and those who can employ the whole of their capital in their business, are now able to keep a banker. These banks, too, give interest on deposits, whether the sums be large or small, as I shall hereafter explain.

9. The first public or joint-stock bank established in London was the London and Westminster Bank. The success of this bank has led to the formation of several others. You will observe, that all banks which have branches conduct their business on the same terms at the branches as they do at the central office.

10. Since, then, the Scotch system of banking is established in London, why should not the keeping of a banker be as general in London as in Scotland? I have stated that, under the old system, those chiefly who were denied banking facilities were the middle class of people. Now, these people may be subdivided into two classes—those who are engaged in trade, and those who are not. I shall address myself, in the first place, to the former class.

11. Now, I ask you, why don't you keep a banker? You say you have been in business several years, and have never kept one. Of course, if no banker would take your account you could not do otherwise; but now there are bankers willing to take your account. But you say, you can do without a banker. Of course you can. The question is, not whether by possibility you can do without a banker, but whether you cannot do better with one? But you reply, it would not be worth any banker's while to take your account. That is for his consideration, not for yours. The question for you to decide is, not whether your keeping a banker would be of use to him, but whether it would be of use to yourself. I shall point out to you some of the advantages.

12. In the first place, by keeping a banker, your money will be lodged in a place of security. You have now 50*l.* or 100*l.*, or perhaps sometimes 200*l.* that you keep in your own house; you take it up into your bedroom at night, and when you go out on Sunday you carry it in your pocket. Now you may lose this money out of your pocket—the till may be

robbed by your servants—or your house may be broken open by thieves—or your premises may take fire and the money may be burnt. But even should you escape LOSS, you cannot escape ANXIETY. When you have a little more money than usual, you have fears and apprehensions lest some accident should occur. Now you will avoid all this trouble by keeping a banker.

13. The banker will not only take care of your money, but also of anything else you commit to his charge. You can get a small tin box with your name painted on it, and into this box you can put your will, the lease of your house, policies of insurances, and any deeds or other documents that require particular care. You can send this box to your banker, who will take care of it for you; and you can have it back whenever you like, and as often as you like. If your premises are insured, it is clearly improper to keep the policy on the premises: for if the house be burnt the policy will be burnt too; and where then is your evidence of claim upon the insurance office?

14. Another advantage is the saving of time. When you receive money you will send it in a lump to the bank; and when you pay away money you will draw cheques upon the bank. Now to draw a cheque takes up much less time than counting out the money that you have to pay, and perhaps sending out for change because you have not the exact sum. Besides, you sometimes hold bills which, when due, you have to send for payment; now you can lodge these with your banker, who will present them for you. And when you accept bills, you will make them payable at your banker's instead of making them payable at your own house. Now in all these cases there is a great saving of time; and, besides, your bills, from being made payable at a bank, will be considered more respectable.

15. Another advantage of keeping a banker is, that it will be a check upon your accounts. I need not speak to you, as a trader, of the importance of correct accounts. Your banker's book will be an authentic record of your cash transactions. If you make a mistake in your trade books, the banker's book

will often lead to a detection of the error. If you have paid a sum of money, and the party denies having received it, you can refer to your banker's account, and produce your cheque, which is as good as a receipt. By means of a banker's account you could trace your receipts and payments, even after a number of years had elapsed; and hence disputed accounts could be readily adjusted, and error, arising from forgetfulness or oversight, be speedily rectified.

16. I could mention several other reasons why you should keep a banker.[1] But what I have said will be enough to induce you to make a trial; and when you have once opened an account, you will find so much convenience from it, that you will require no further reasons to induce you to continue it. If it should not answer your expectations, you can, whenever you please, close it again.

17. Now then, as you have made up your mind to keep a banker, the next thing is to determine at what bank you will open your account. On this point I must leave you to make your own choice. All the PUBLIC BANKS issue prospectuses containing the list of their directors, the amount of their paid-up capital, the names of the bankers who superintend their respective establishments, and their rules for transacting business. You can get a prospectus from each bank, compare them together, and please your own fancy. But if you have no other grounds for preference, I advise you to open your account with the BANK, or BRANCH BANK, that is NEAREST TO YOUR OWN PLACE OF BUSINESS. You will often have to go or send to the bank, and if it be a great way off, much time will be lost, and you will at times be induced to forego some of the advantages of keeping a banker rather than send to so great a distance. On this account, let your banker be your neighbour. Recollect, time is money.

18. There is no difficulty in opening an account. You will

[1] The reasons assigned here have a reference chiefly to London banking. The operations of country banking are familiarly described in 'The Anatomy and Philosophy of Banking; or, the True Character and Value of Banks briefly explained to the Middle Classes of Society.' By James Strachan. (Groombridge.)

enter the bank, and ask for the manager. Explain to him what you want to do. He will give you every information you may require, and you will receive a small account book, called a Pass-book, and a book of cheques. I advise you to keep these two books, when not in use, under your own lock and key.

19. You now require no further advice from me, as your banker will give you the most ample information respecting the way of conducting your account. Nevertheless, I may mention a point or two for your own government:—Do not depend entirely upon your banker's Pass-book, but keep also an account in a book of your own. Debit your banker with all cash you may pay into the bank, and credit him for all the cheques you may draw at the time you draw them. Send your Pass-book frequently to be made up at the bank, and when it returns, always compare it with your account-book. This will correct any mistake in the Pass-book. Besides, some of your cheques may not be presented for payment until several days after they are drawn, and if, in the meantime, you take the balance of the banker's Pass-book, you will seem to have more ready cash than you actually possess, and this may lead you into unpleasant mistakes.

20. When you lodge any money at the bank, always place the total amount of the cash and your name, at full length, upon the outside of the parcel, or on a slip of paper. The cashier will then see at once if he agrees with your amount. This will save time, and prevent mistakes.

21. Be always open and straightforward with your banker. Do not represent yourself to be a richer man than you are; do not discount with your banker any bills that are not likely to be PUNCTUALLY paid when due; and, should any be unpaid and returned to you, pay them yourself IMMEDIATELY. Do not attempt to OVERDRAW your account: that is, do not draw cheques upon your banker for more money than you have in his hands, without first asking his consent; and if you make him any promises, be sure that they be strictly performed. If you fail ONCE, the banker will hesitate before he trusts you again.

22. Should you be dissatisfied with anything connected with your account, make your complaint to the BANKER himself, and not to the clerks. Let all your communications be made in PERSON, rather than by LETTER. But do not stay long at one interview. Make no observations about the weather or the news of the day. Proceed at once to the business you are come about, and when it is settled, retire. This will save your banker's time, and give him a favourable impression of your character as a man of business.

23. If you are in partnership, besides opening an account with your banker in the names of the firm, you should open a private account for yourself, that your personal affairs may be kept separate from those of the partnership. Or if you are in an extensive way of business, and have a large family, it is advisable that you open a separate account with your banker, in the name of your wife, that your trade payments and your household expenses may not be mixed up together in the same account. This is a good way of ascertaining the exact amount of your family expenditure.

24. If you are appointed executor or assignee to an estate, or become treasurer to a public institution or charitable society, open a separate account with your banker for this office, and do not mix other people's moneys with your own. This will prevent mistakes and confusion in your accounts. These separate accounts may be kept still more distinct by being opened with another banker, or at another branch of the same bank.

25. There are a good many of the middle class of people who are not in trade, and I must now address them. Perhaps you are a clergyman, or a medical man, or you are in a public office, or are living on your rents, or dividends. At all events, whatever you may be, I conclude you are not living beyond your means. If you are, I have not a word to say to you about keeping a banker; you will soon, most likely, be within the keeping of a gaoler.

26. Several of the reasons I have given to the trader will also apply to you; but there is one that applies with much greater force—the tendency to insure accurate accounts.

As you are not a man of business, I shall not advise you to keep an account of your receipts and your expenditure. I know you will do no such thing. Should you ever commence to do so, you will get tired before the end of the year, and throw the book aside. Now, if you keep a banker, he will keep your accounts for you; his Pass-book will show you the state of your accounts. All the money you receive you must send to the bank, and all your payments must be made by cheques upon the bank. If you want pocket-money, draw a cheque for 5*l.* or 10*l.*, payable to Cash, but by no means disburse any money but through your banker. Your book will be balanced every half-year. You will then see the total amount of your receipts during the half-year, and your various payments to the butcher, the baker, the tailor, &c. &c. The names to which the cheques are made payable will show you for what purpose they were given, and you should write these names in a plain hand, that the clerks may copy them correctly in the Pass-book. Now, if you look through your book once every half-year in this way, you will probably see occasion to introduce some useful reforms into your domestic expenditure. But if you are too lazy to do this, hand the book to your wife, and she will do it for you.

27. I shall now address another class of people. Perhaps you are a clerk, or a warehouseman, or a shopman, or a domestic servant. Well, you have no occasion to keep a banker; that is, you have no occasion to open a current account. But you have got a little money which you would like to put into a safe place, and upon which you would like to receive interest. Well, now, listen to me.

28. If the sum be under 10*l.*, or if the sum be above 10*l.*, and you are not likely to want it soon, put it into the savings bank; you will receive interest for it at the rate of about 3*l.* for every 100*l.* for a year. But mind, you can only put money into the savings bank at certain hours in the week, when the bank is open, and you cannot put in more than 30*l.* in any one year, nor more than 150*l.* altogether, and you will receive no interest for the fractional parts of a pound ster-

ling, and you cannot draw out any money without giving notice beforehand.[1]

29. If, then, your money is more than 10*l.*, and you have already lodged 30*l.* this year in the savings bank, or 150*l.* altogether, or if you will have occasion to draw out your money without giving notice, then lodge it in one of the public banks. These banks are open every week-day from nine o'clock in the morning till four in the evening; they will take lodgments of money to any amount, and interest will be allowed from the day it is lodged until the day it is drawn out; and if the sum is under 1,000*l.* no notice is required. For all sums lodged on interest the bankers give receipts called deposit receipts.

30. When you go to the bank to lodge upon interest any sum under 1,000*l.* you need not inquire for the manager. Hand your money to any clerk you may see standing inside the counter, and ask for a deposit receipt. You will be requested (the first time you go), to write your name and address in a book which is kept for that purpose, and then the deposit receipt will be given to you without any delay.

31. Mind, this deposit receipt is not transferable; that is, you cannot lend it or give it to anybody else. When you want the money, you must take it yourself to the bank, and ask the cashier to pay you the amount. You will then be requested to write your name on the back of the deposit receipt; the cashier will see that the signature corresponds with the signature you wrote in the book when you lodged the money, and will then pay you the amount and keep the receipt.

32. Although you cannot lodge upon a deposit receipt a less sum in the first instance than 10*l.*, yet, having lodged that sum, you can make any additions to it you please. Thus, if you wish to lodge 5*l.* more, you can take your 5*l.* note and your deposit receipt for 10*l.* to the bank, and get a new

[1] The most important of these Banks in London is the Provident Institution Savings' Bank in St. Martin's Place, Trafalgar Square, certified under the Act of 1863 (26 & 27 Vict. cap. 87). It was established in the year 1816, and is now under the presidency of the Marquis of Westminster, H.R.H. the Prince Consort being its former President.

receipt for 15*l.* If, after having lodged 10*l.* you wish to lodge 10*l.* more, you can get a separate receipt for the second 10*l.*, or have a new receipt for 20*l.*, whichever you please; and, observe, whenever any addition is made to a former receipt, the old receipt is cancelled, and the interest due upon it is either paid to you in money, or added to the amount of the new receipt, as may be most agreeable to yourself.

33. The rate of interest allowed upon the money you deposit in the bank will depend upon the value of money at the time—that is, upon the rate at which the bankers can employ it again.[1] For the money you lend to the banker, he lends to other people. A part of the interest he receives from other people he gives to you who find the money. A part he keeps to himself for his knowledge and skill in employing the money safely and profitably. When he receives more interest from others, he will give you more. And when he receives less, he will give you less.

34. You will be surprised to find how the desire of lodging money in a bank will grow upon you. When you had the money in your pocket, you were anxious to find reasons for spending it. When you have placed it in the bank, you will be anxious to find reasons for not spending it. All habits are formed or strengthened by repeated acts. The more money you lodge in the bank, the more you will desire to lodge. You will go on making additions, until, at last, you will probably have acquired a sum that shall lay the foundation of your advance to a higher station in society.[2]

[1] By the recent Stamp Act the rate of interest and the notice of repayment required may be inserted in the receipt.

[2] The appreciation by the public of the advantages to be gained by keeping accounts at banks here advocated, is evidenced from a parliamentary return made up to the 1st of June, 1864, which shows that there were then in England and Wales, besides the Bank of England with its eleven branches, 140 private banks of issue with 208 branches; 61 joint-stock banks of issue with 441 branches; 138 private banks, not of issue, with 64 branches; and 56 joint-stock banks, not of issue, with 303 branches, besides four branches in Scotland, a branch in Ireland, and 14 branches abroad. For Ireland, the return gives six joint-stock banks of issue with 191 branches; 4 joint-stock banks, not of issue, with six branches, and four private banks, not of issue. For Scotland, 13 joint-stock banks, all banks of issue, and having 594 branches.

35. Nor must you suppose that this desire to get and to save money is an improper one. That wealth is an evil is not the language either of Scripture or philosophy. It is true, that wealth, like any other blessing, may be desired from improper motives, and sought by improper means, and such an ill-regulated desire may become the root of all evil. But it is not true that wealth honestly acquired has any tendency either to enervate the intellect, to corrupt the morals, or to impair the happiness of man. The fact is the reverse. Wealth is always represented in Scripture as a blessing, and though partaking of the uncertainty of all earthly blessings, it is a blessing to be received with thanksgiving, and to be employed in promoting the honour of God, and the good of mankind.

"The philosophy which affects to teach us a contempt of money does not run very deep; for, indeed, it ought to be still more clear to the philosopher than it is to the ordinary man, that there are few things in the world of greater importance. And so manifold are the bearings of money upon the lives and characters of mankind, that an insight which should search out the life of a man in his pecuniary relations, would penetrate into almost every cranny of his nature. He who knows, like St. Paul, both how to spare, and how to abound, has a great knowledge: for if we take account of all the virtues with which money is mixed up—honesty, justice, generosity, charity, frugality, forethought, self-sacrifice,—and of their correlative vices—it is a knowledge which goes near to cover the length and breadth of humanity: and a right measure and manner in getting, saving, spending, giving, taking, lending, borrowing, and bequeathing, would almost argue a perfect man."[1]

[1] Taylor's 'Notes on Life.'

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